

Getting under the bonnet of capital and cash

21 May 2009



Getting under the bonnet of capital and cash

Jackie Hunt – Deputy Group Finance Director

21 May 2009

Disclaimer



This presentation may contain certain “forward-looking statements” with respect to certain of Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Standard Life's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Standard Life and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard Life’s actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in the forward-looking statements. Standard Life undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

Agenda



- Capital and cash allocation methodology
- FGD position
- Transition to a capital-lite business model
 - Level of guarantees
 - New business strain
 - Operating capital and cash generation
- SLAL workshop
- Summary

Our strategies for delivering value



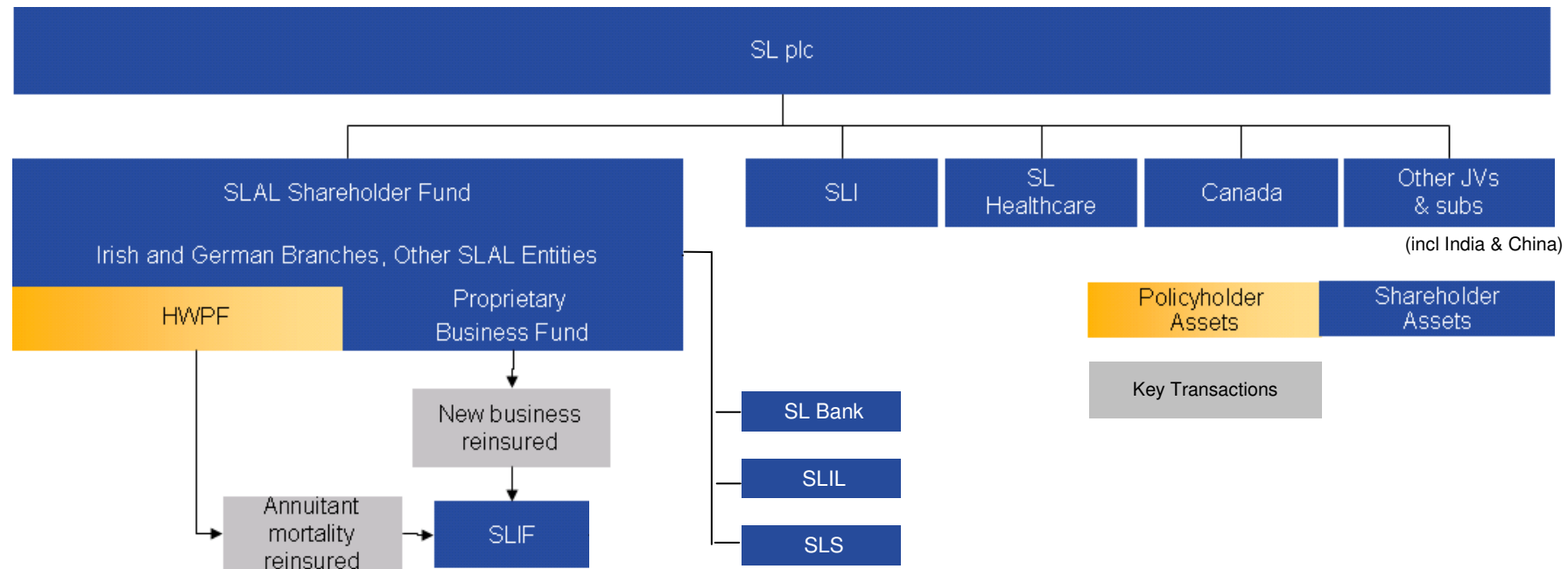
Build valuable customer relationships with leading service and compelling propositions:

- Creating capital efficient, innovative products
- Opening new routes to market
- Leveraging investment management expertise and performance
- Driving for operational excellence

Focus of today is on the impact of the move towards more capital efficient, innovative products

Increasing shareholder value is our objective

Group structure



- Capital transferred from businesses to Standard Life (SL) plc in the form of dividends
- Financing for growth businesses injected from SL plc to group companies usually in the form of equity
- Focused on creating value and maintaining appropriate levels of solvency capital, while reducing capital tied up backing unrewarded risks

A unique structure beneficial to shareholders and policyholders

Considerations determining cash retained



Capital retained within the Group to:

- Maintain financial strength and security – underpinning customer, regulatory and shareholder confidence
- Grow shareholder value by investing in value creating opportunities

Capital allocation supported by risk based analysis:

- Capital held against financial (incl. liquidity), operational and strategic risk
- Risk management focused on eliminating unrewarded risk and therefore capital needed
- Enhancing our enterprise risk management framework

Investing to drive tomorrow's growth

Sustainable high quality returns for shareholders



Growing shareholder value

Distributable earnings and dividend

Customer security and financial strength

EEV

Capital attributable to equity holders only

Key performance metric for life Group companies

Robust embedded value underpins the financial strength of the Group

IFRS

Capital attributable to equity holders only

Key performance metric for non life Group companies

Key determinant of distributable profits

Regulatory capital

Capital attributable to equity holders and customers

Monitored globally and locally using relevant measures

Potential constraint on distributable profits

Effective risk management and capital allocation

Sustainable high quality returns for shareholders



Capital

FGD surplus and sensitivities

(as previously disclosed)



FGD Surplus after allowing for the final dividend

31 December 2007	31 December 2008	31 March 2009
£3.4bn	£3.3bn ¹	£3.2bn ¹

Sensitivity to equity market falls²

Fall in equities	FGD Surplus after final dividend
20% (FTSE 3500)	£3.2bn
30% (FTSE 3100)	£3.1bn
40% (FTSE 2650)	£2.7bn

Sensitivity to yields²

150bps rise in yields (e.g. 3.75% to 5.25%)	£2.5bn
--	--------

1) Assumed final dividend of £168m all taken in cash – since reduced to £110m due to high Scrip dividend take-up

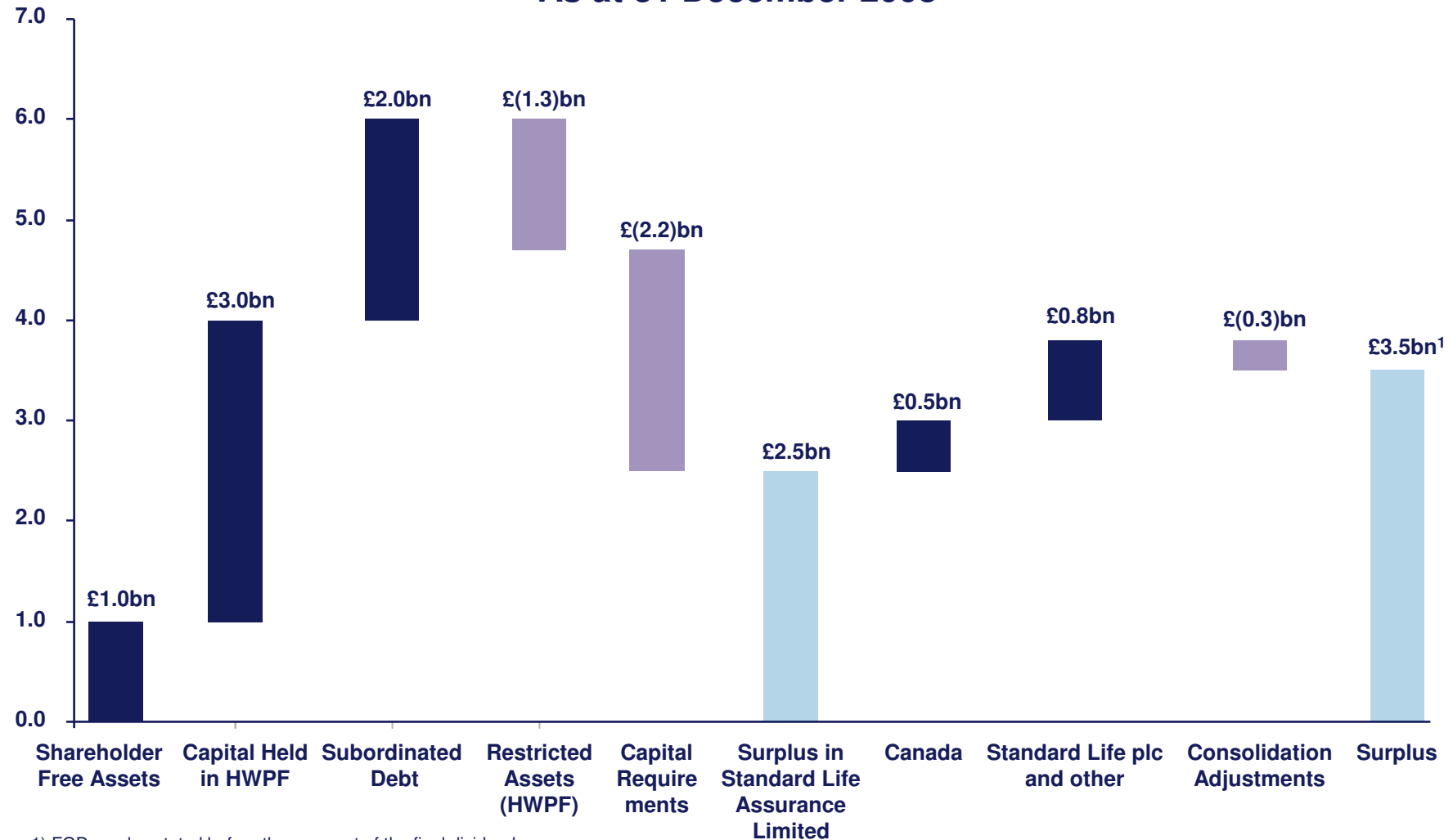
2) Compared to 31 December 2008

Capital position - resilient to market stresses

FGD – sources of surplus



As at 31 December 2008

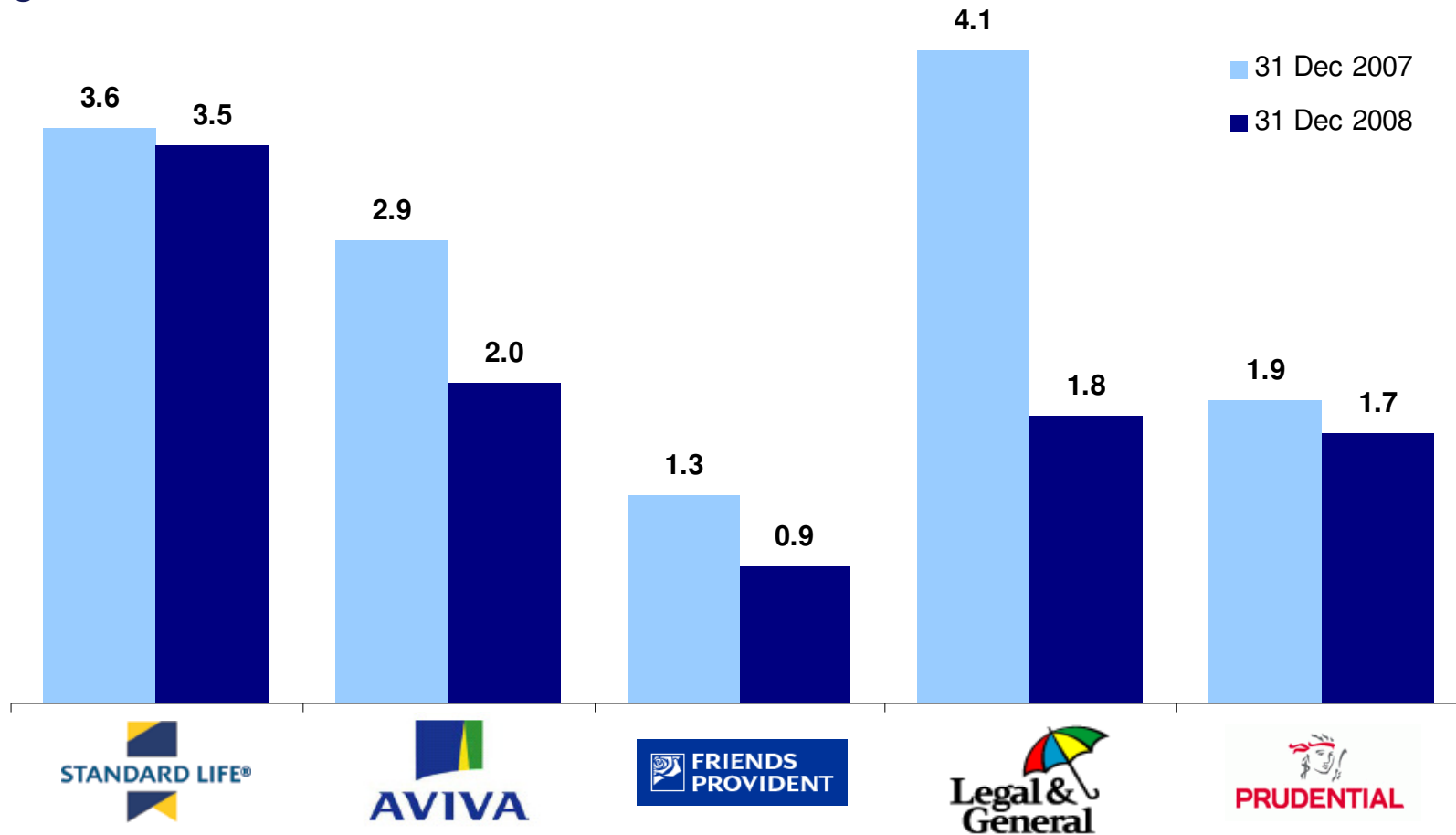


1) FGD surplus stated before the payment of the final dividend

FGD / IGD surplus



Figures in £bn



One of the strongest and most stable capital bases in the sector

Source: HSBC Global Research – 'UK Insurance – into the next phase' - 21 April 2009. Note: L&G's reported IGD surplus is post the 2008 final dividend. All others are before allowing for the final 2008 dividend



Capital-lite

Our transition to a capital-lite business model



Actions

- Create capital efficient, innovative products
- Extract margin from tax wrappers and asset management
- Applying strict financial hurdles for any new propositions

Outcomes

- Fully funded commission
- Charge bps for admin or wrapper fees
- Asset flows into Standard Life Investments
- Charges for selling 3rd party products
- Rebates from external fund managers

Measures

- Products with low NBS and rapid cash payback
- Products which match customer charges to expenses
- High transparency of charges, aligned to cost and consumer demand

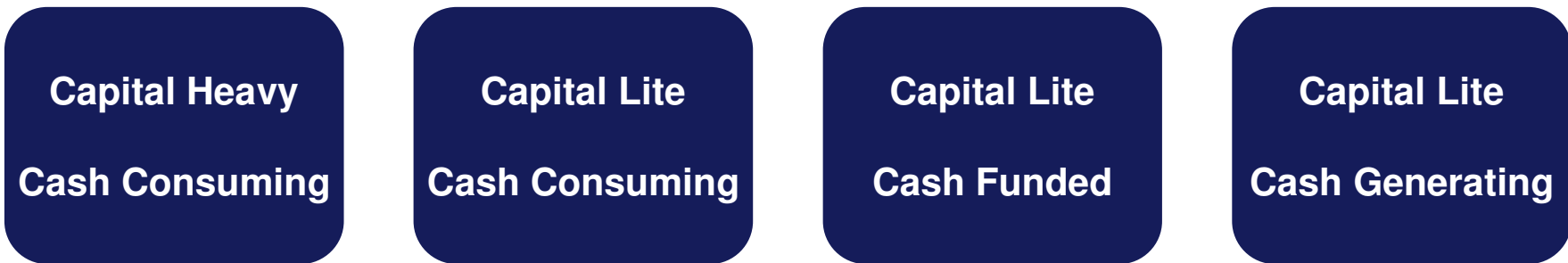
Implications for our attitude to managing / taking on risk

We have no appetite for

- Taking on unrewarded risk
- Exposing our balance sheet to undue risk

Mitigating risk through a capital-lite focus

Our businesses are at different stages in the journey towards capital lite products



High/medium guarantees

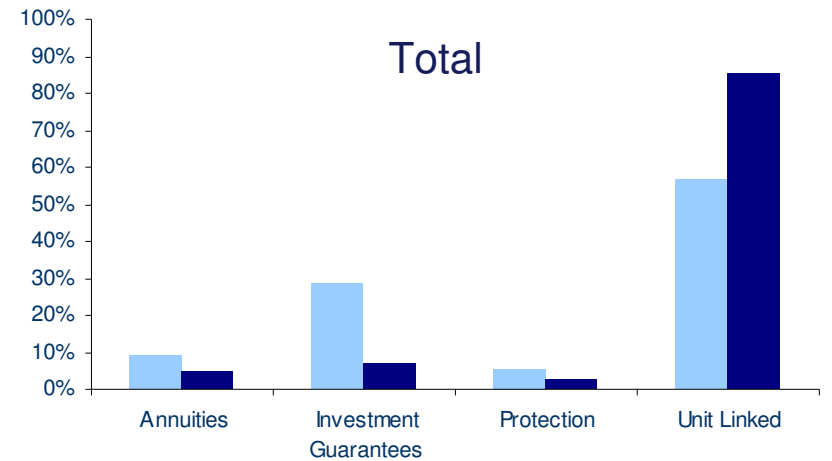
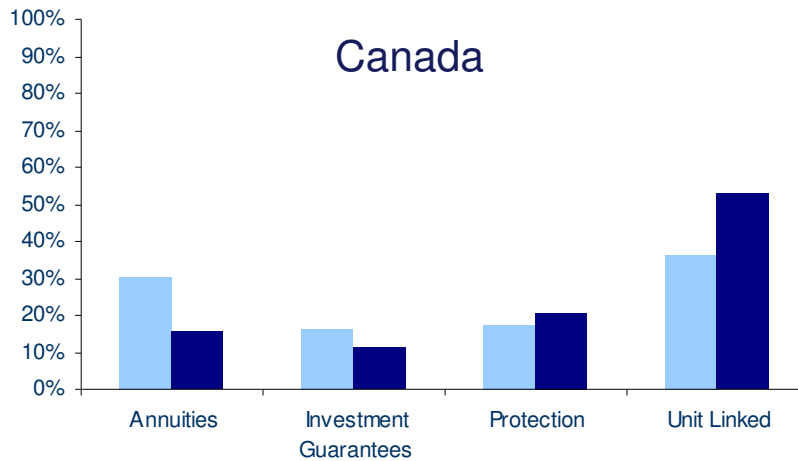
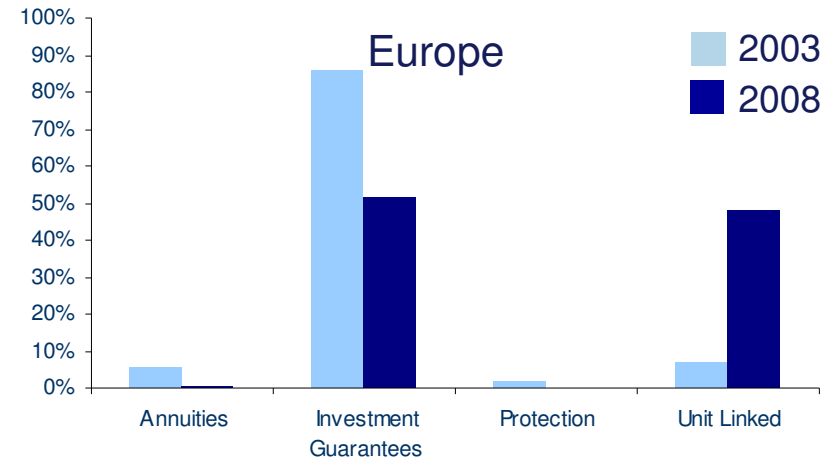
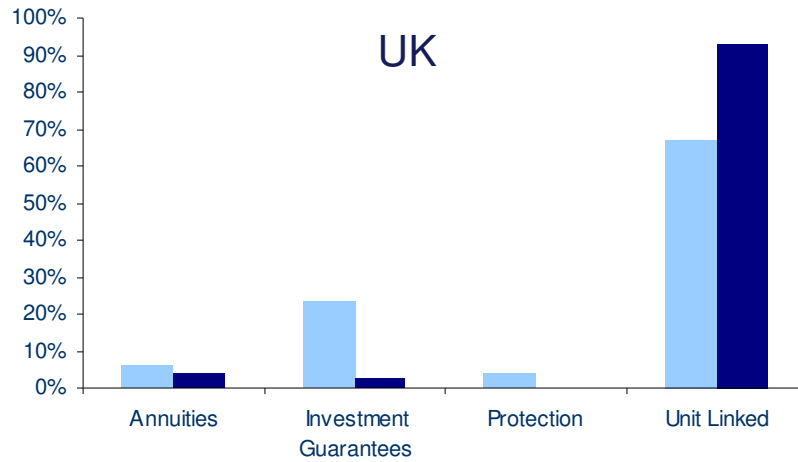
Eg German with profits products

No/few guarantees

For example unit linked, mutual funds, wrap

Transitioning to a capital-lite focus

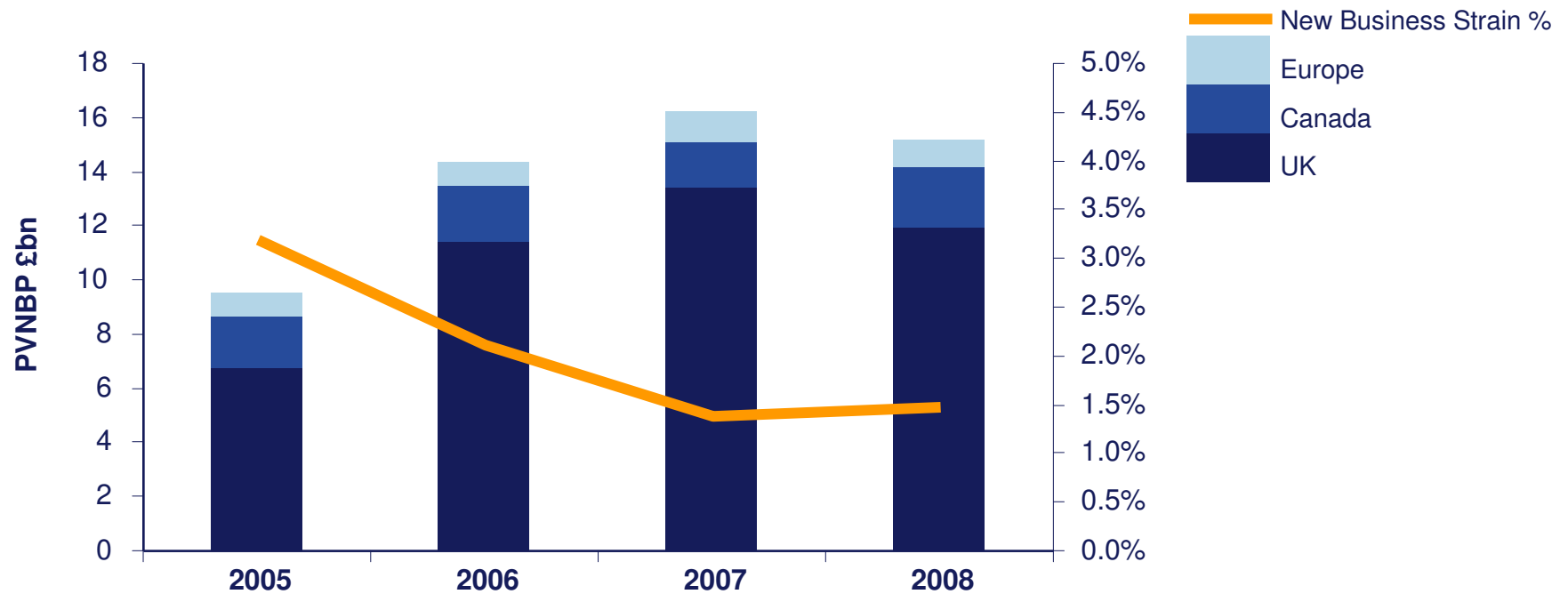
Delivering a capital-lite strategy (Risk) – New business mix



A significant reduction in market risk

1) Allocations based on new business APE 2) Figures exclude mutual funds and non-insured business

Delivering a capital-lite strategy (Cash) – New business strain



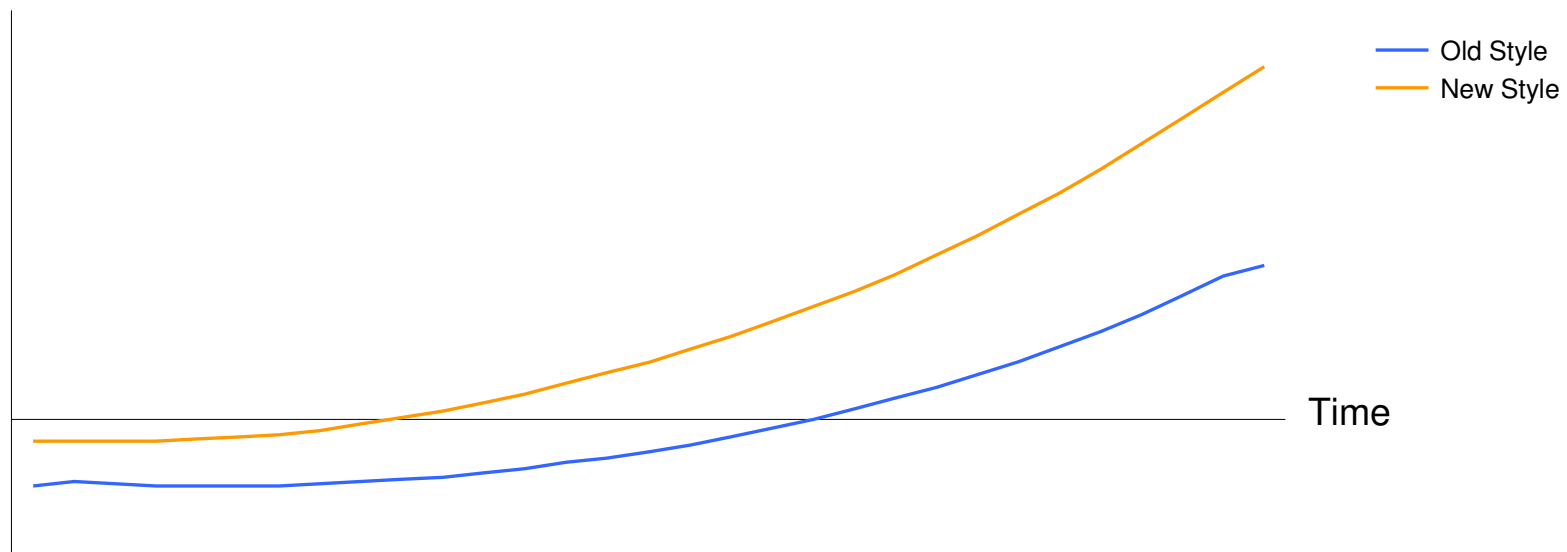
NBS is calculated on a post tax basis. New business strain margin for 2005, 2006 and 2007 have not been restated to include mutual fund sales as covered business. 2005 and 2006 NBS is shown on a pro forma basis.

A significant reduction in new business strain

Typical cash flow profiles – Old vs New



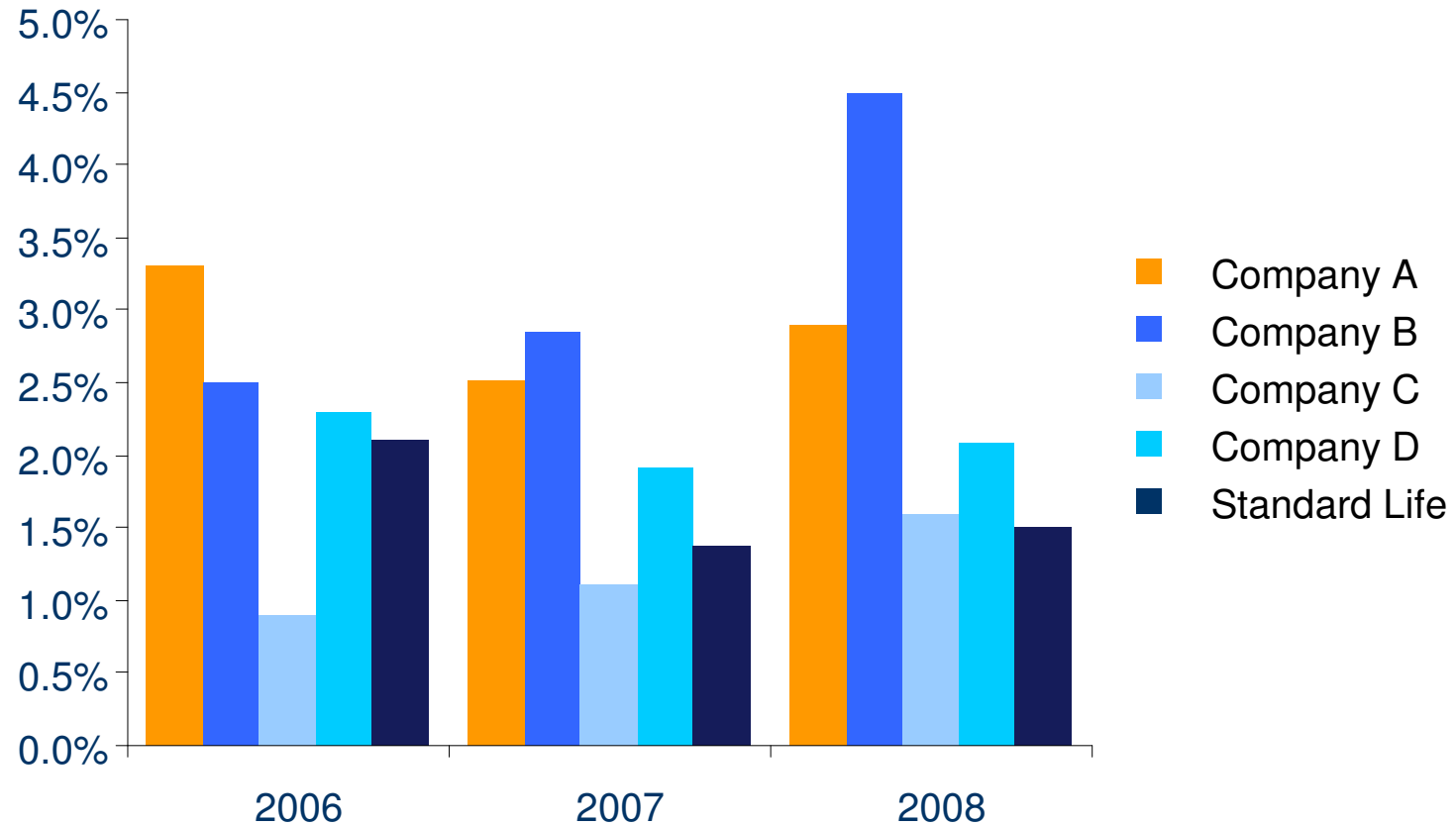
The graph shows the cumulative expected cashflows for a portfolio of new customers paying premiums for 30 years to a group pension scheme comparing a typical old-world style product (Group GPP) and a new style product (Group FRP)



Due to the lower initial capital strain on the new style contract, the payback period is significantly shorter than that on the old style contract.

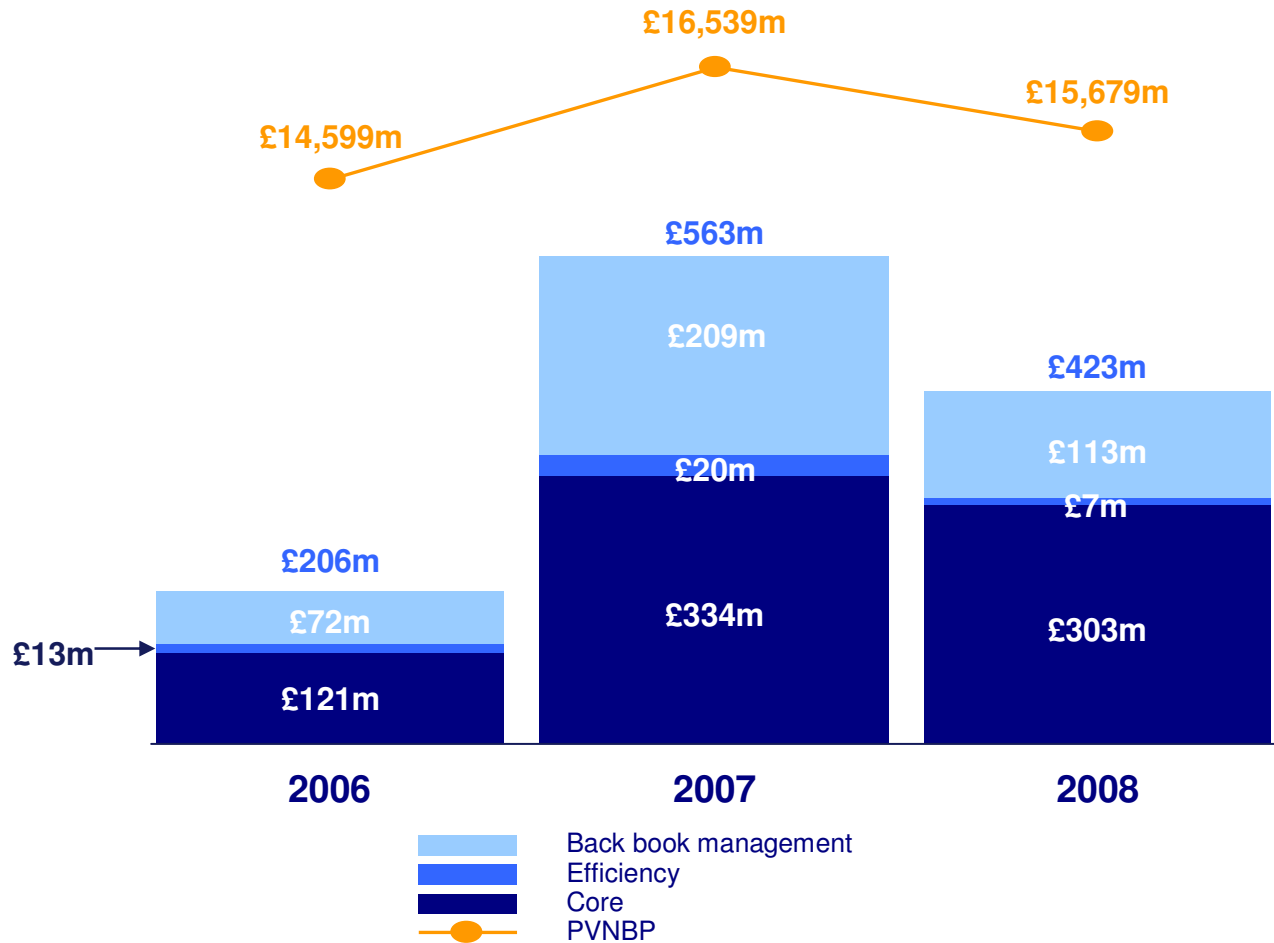
Faster payback periods through a capital-lite focus

New business strain – industry comparison



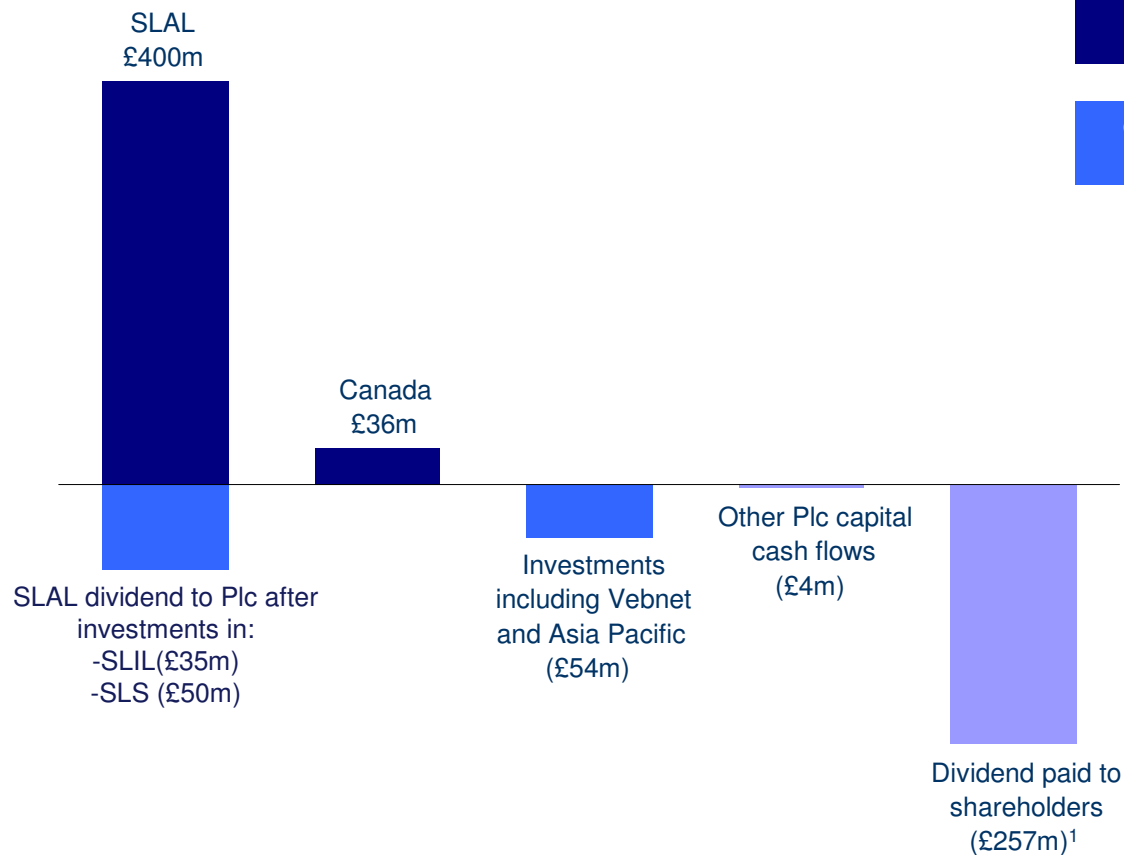
Low new business strain compared to competitors

Group: operating capital and cash generation



Core capital and cash generation remains robust

Our businesses are at different stages of maturity



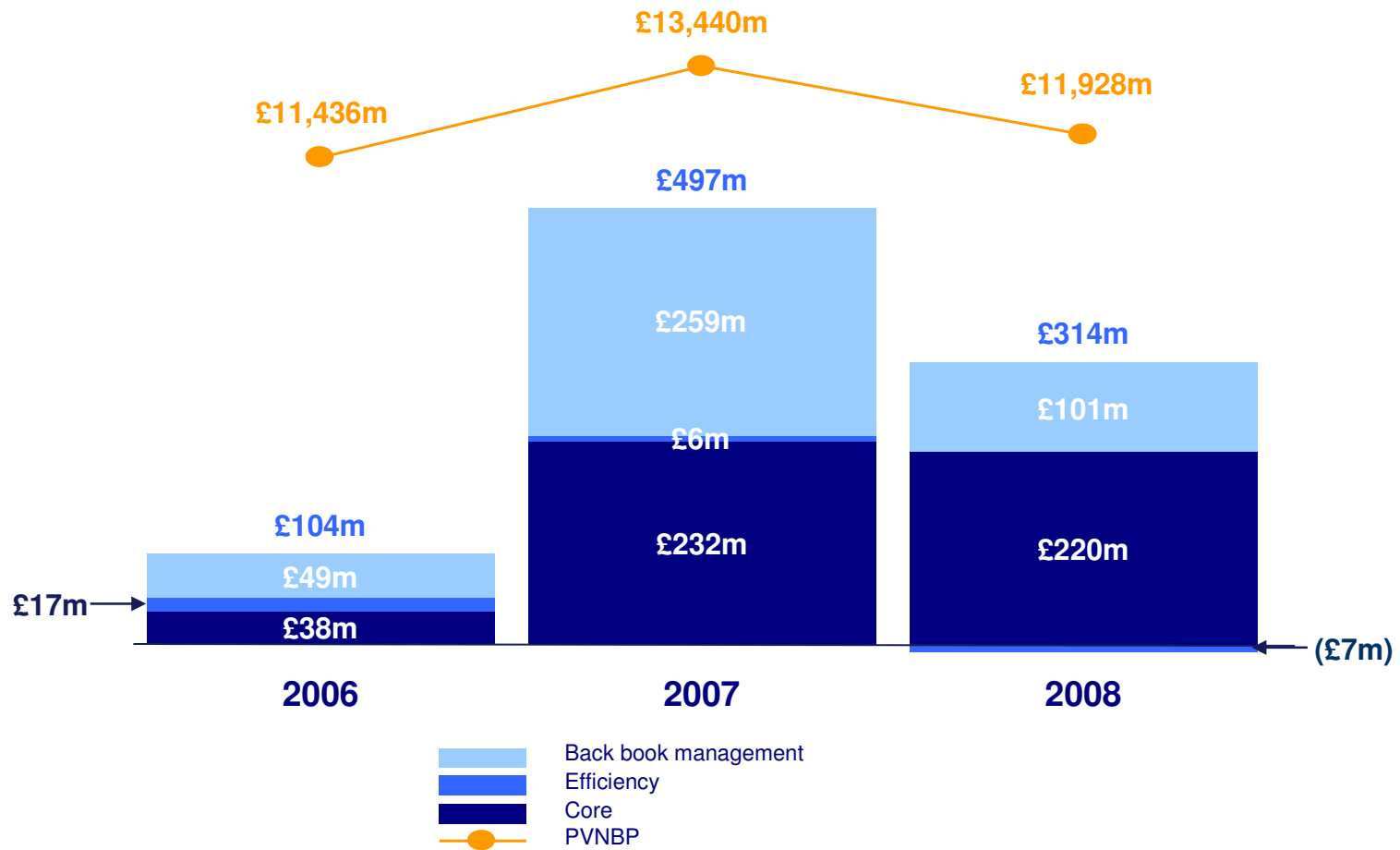
Mature businesses – cash and capital generating

Growing businesses – cash and capital consuming

Significant cash and capital generated

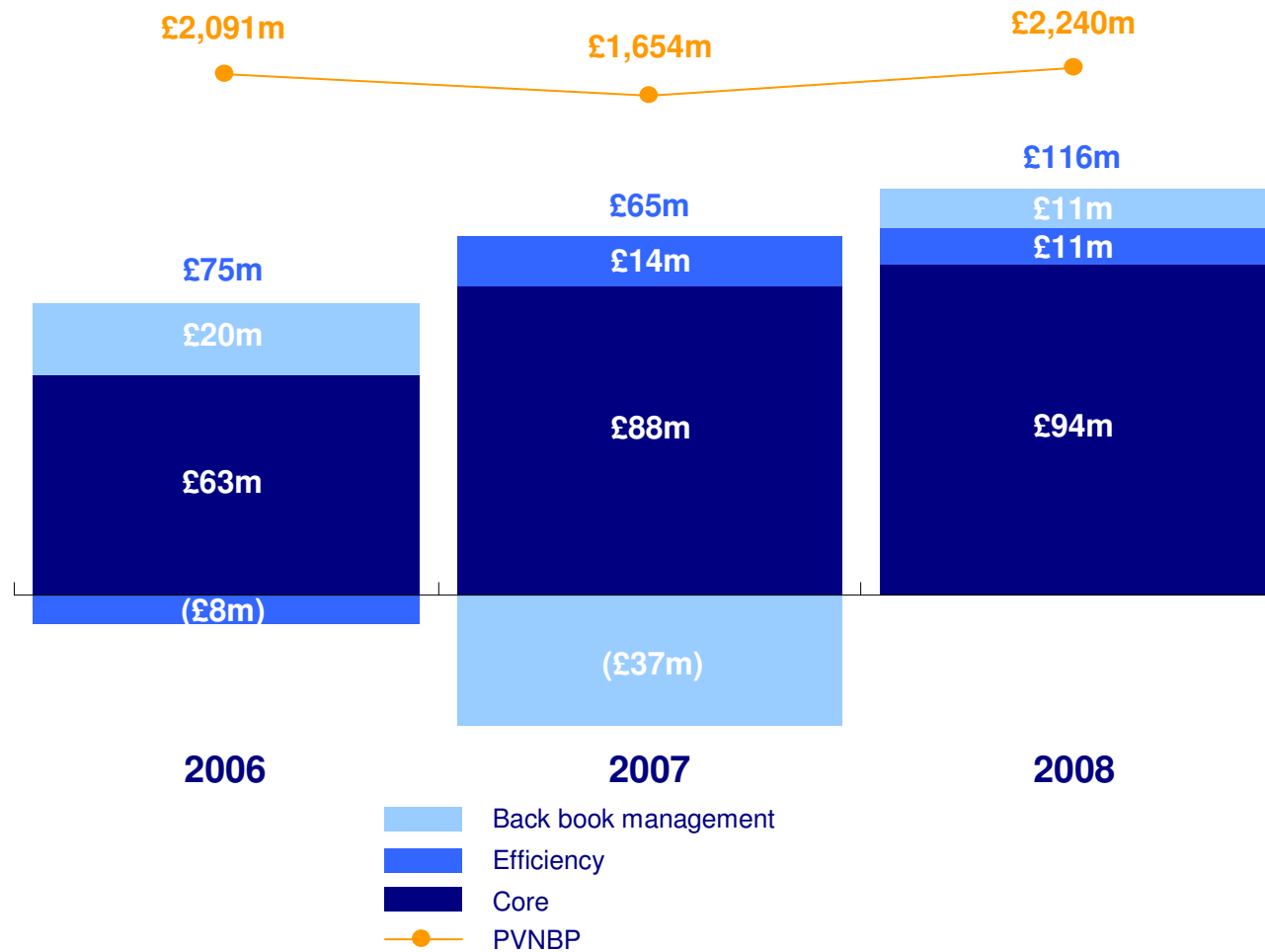
1) Representing final 2007 dividend of £168m and Interim 2008 dividend of £89m

UK: operating capital and cash generation



Core capital and cash generation remains robust

Canada: operating capital and cash generation



Improving capital and cash generation

Canada: capital position

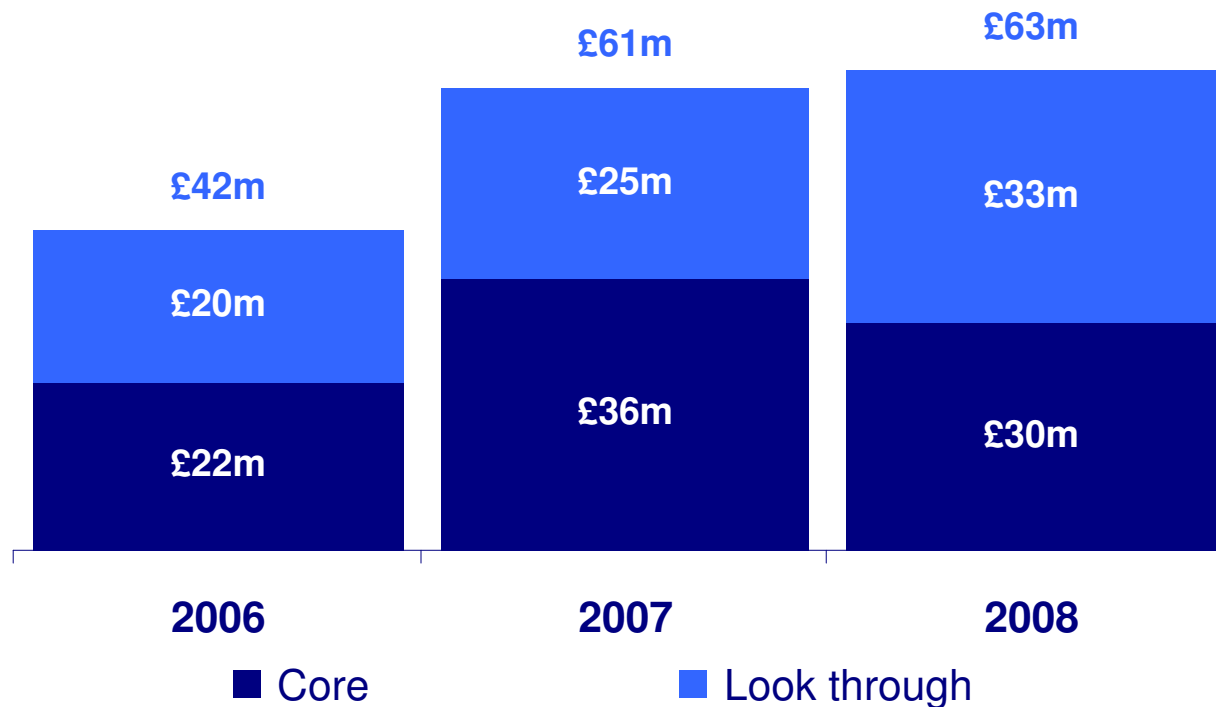


- At 31 December 2008, Canada contributed gross capital resources of £1.1bn (C\$2bn) to the Group FGD position, resulting in £0.5bn (C\$0.8bn) contribution to the Group FGD net surplus capital position
- Canadian operations also report to the Canadian regulator complying with the Minimum Continuing Capital and Surplus Requirements (MCCSR)
- The local regulatory position is shown below:

	2008	2007	2006
MCCSR	C\$m	C\$m	C\$m
Capital resources	1,729	1,810	1,693
Capital resources requirements	872	800	799
Surplus	857	1,010	894
	198%	226%	212%

Regulatory capital strength maintained

Standard Life Investments: operating capital and cash generation



- Capital surplus of £88m at 31 December 2008

Operating capital and cash generation increasing

Summary



- Capital and cash allocation to deliver sustainable high quality returns to shareholders
- Strong and resilient FGD surplus
- Reduced exposure to guaranteed business
- Reduced new business strain and shorter payback periods
- Robust operating capital and cash generation

SLAL workshop

David Hare – Chief Actuary UK & Europe

- **Overview of SLAL's Composition**
 - Assets
 - Shareholder Value
 - Liabilities
- **Financial Strength**
 - SLAL Pillar 1 Solvency (and 'twin peaks' position)
 - SLAL Contribution to plc FGD position
- **SLAL Cash**
 - Where it comes from
 - How it is used
- **Recourse Cash Flow (RCF) & Capital Support Mechanism (CSM)**
- **Heritage With Profit Fund (HWPF)**
 - Estate
 - Hedging
 - Burnthrough

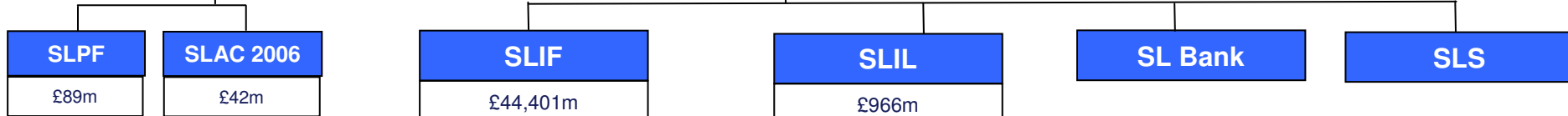
Overview of SLAL structure



SLAL CR = £5,999m, CRR = £2,186m, CRR Cover = 274%

SLAL Long Term Business Funds (include WP business)				LTFB(NP)
Heritage WP Fund	German WP Fund (UWP)	German WP Fund (smoothed)	UK WP Fund (smoothed)	Proprietary Business Fund
£46,103m	£215m	£17m	£8m	£501m

SLAL Shareholder Fund
£2,818m



Insurance subsidiaries of SLAL HWPF

SLPF: CR = £68m, CRR = £2m,

CRR cover = 3710%

SLAC 2006 : No material liabilities

Insurance subsidiary of SLAL shareholder fund

CR = £283m, CRR = £91m,

CRR cover = 313%

Offshore insurance subsidiary of SLAL shareholder fund

Banking subsidiary of SLAL shareholder fund

Platform subsidiary of SLAL shareholder fund

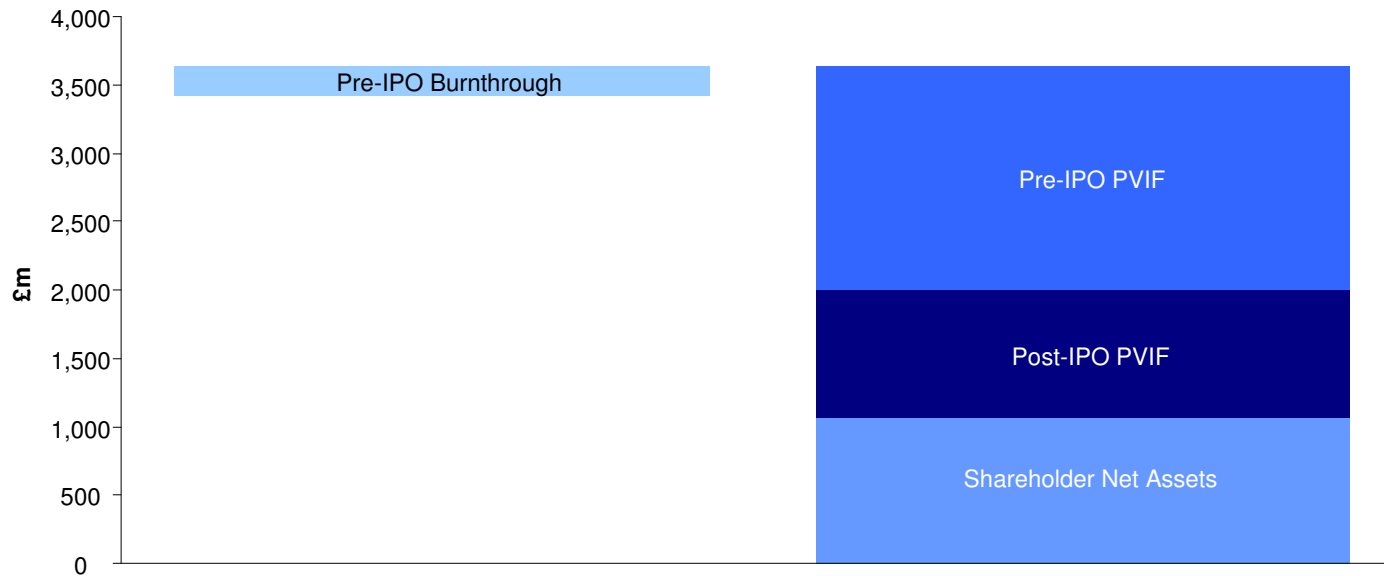
Notes - Figures shown are the FSA Returns Form 13, Line 89 admissible assets (or equivalent) for each SLAL LTFB or subsidiary as at 31 December 2008.

A unique structure beneficial to shareholders and policyholders

Shareholder Value Distribution



December 2008 SLAL EEV Breakdown

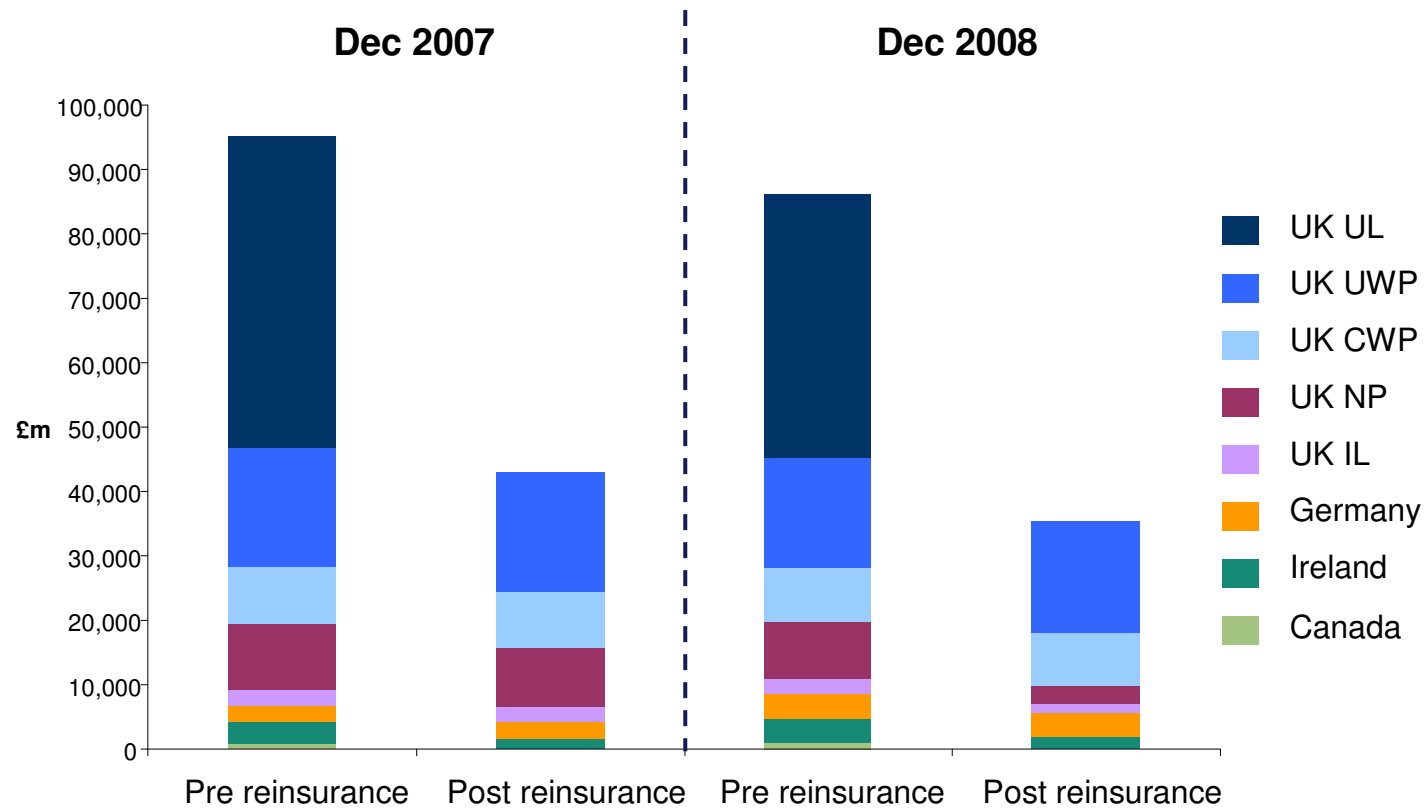


Notes

The Shareholder Net Assets include the values of the subsidiaries. However, SLIF contains shareholder owned assets within the Long Term Business Fund (the rules deem these as ineligible surplus) of £125m which are not counted in the above breakdown

Significant element of shareholder value now relates to post-IPO business

SLAL regulatory peak reserves pre and post reinsurance



SLAL Regulatory peak total liabilities

	Dec 2007	Dec 2008
Post reinsurance mathematical reserves	£43,077m	£35,255m
Current liabilities	£2,853m	£8,602m
Total	£45,930m	£43,857m

SLAL Pillar 1 solvency



Valuation result for SLAL on 31 December 2008¹:

SLAL comfortably meets its regulatory Capital Resources Requirement.

SLAL (£m)	Dec 2007	Dec 2008
Capital Resources	9,258	5,999
Capital Resources Requirement	4,870	2,186
Excess Capital Resources	4,388	3,813
CRR Cover	190%	274%

£2.5bn of the £3.8bn Excess Capital Resources contributes to the Group FGD cover

Regulatory solvency strength maintained

1) Figures shown can be seen in the FSA Returns, Form 2, lines 13, 41 and 42

SLAL: Capital Resources and Capital Resources Requirement



The following tables show the derivation and composition of the capital resources and capital resources requirement of SLAL

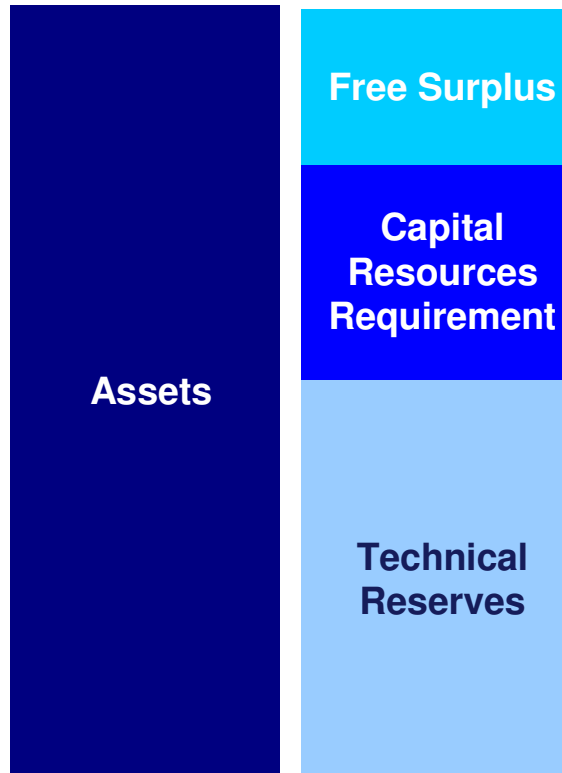
	Dec 2007 £m	Dec 2008 £m
Shareholder capital	1,149	742
HWPF Net admissible assets	6,192	2,992
Innovative tier one debt	588	676
Tier one capital component	7,929	4,410
Upper tier two capital	768	802
Lower tier two capital	561	787
Tier two capital component	1,329	1,589
Total Capital Resources	9,258	5,999

	Dec 2007 £m	Dec 2008 £m
Long Term Insurance Capital Requirement (LTICR)	1,807	1,616
Resilience Capital Requirement (RCR)	n/a	n/a
Individual Capital Resources Requirements of all SLAL regulated subsidiaries	440	471
With-Profits Insurance Capital Component (WPICC)	2,623	99
Capital Resources Requirement (CRR)	4,870	2,186

Pillar 1 and Pillar 2



Pillar 1



Implicit prudence in both assets and technical reserves

Pillar 2



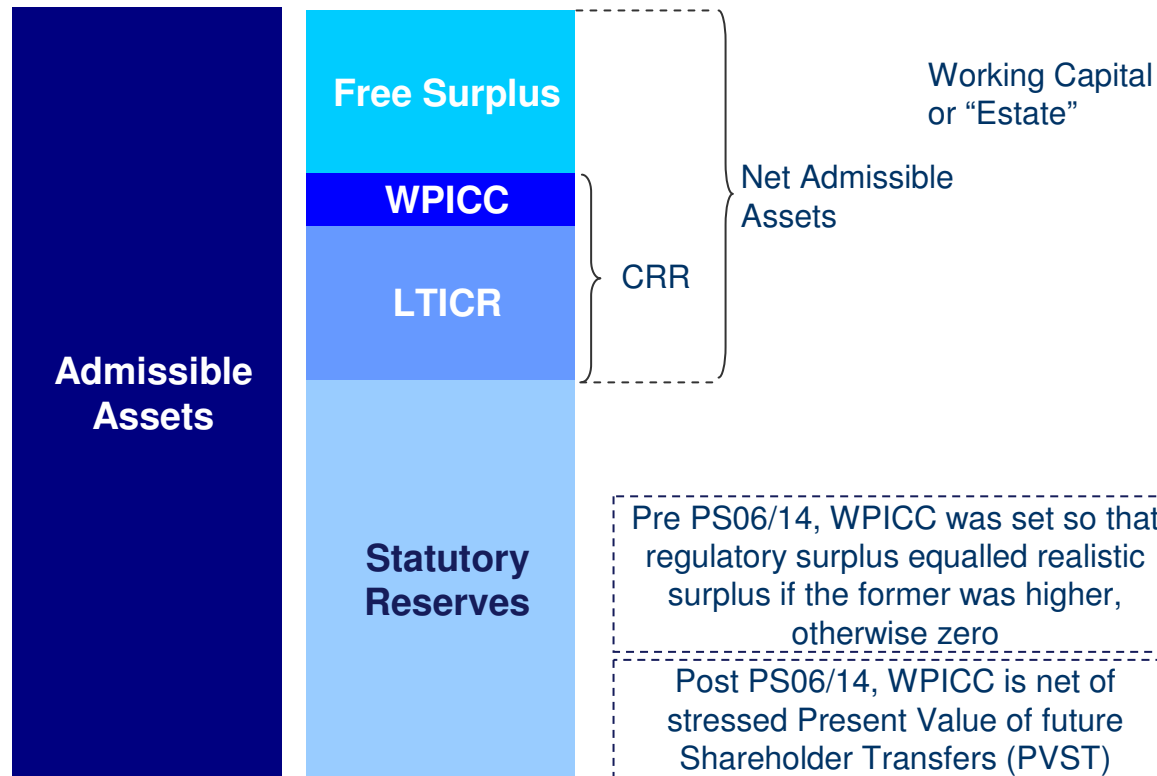
Realistic assessment with explicit additions for risk components

Note: Graphs are for illustrative purposes only and do not represent the capital position of Standard Life

The “twin peaks” of Pillar 1

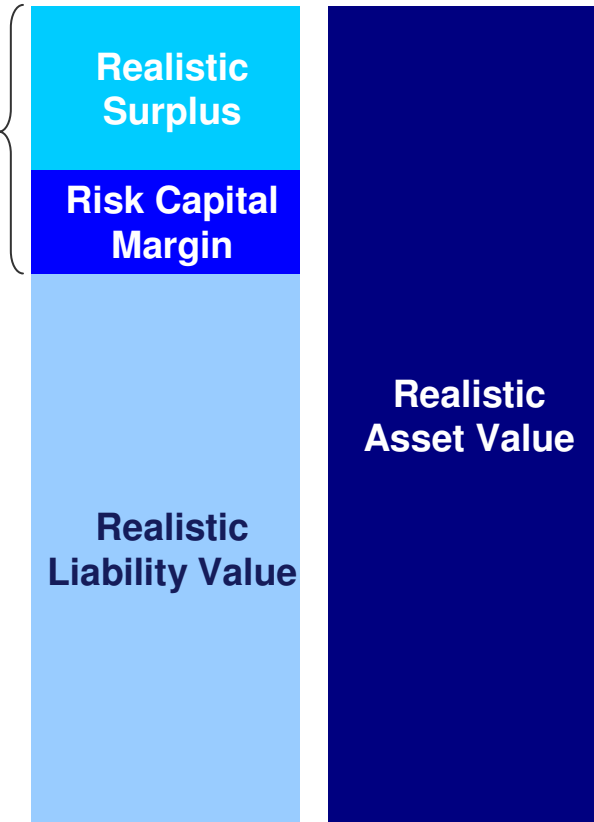


Regulatory Peak (‘Peak 1’)



Prudent reserves for existing guarantees

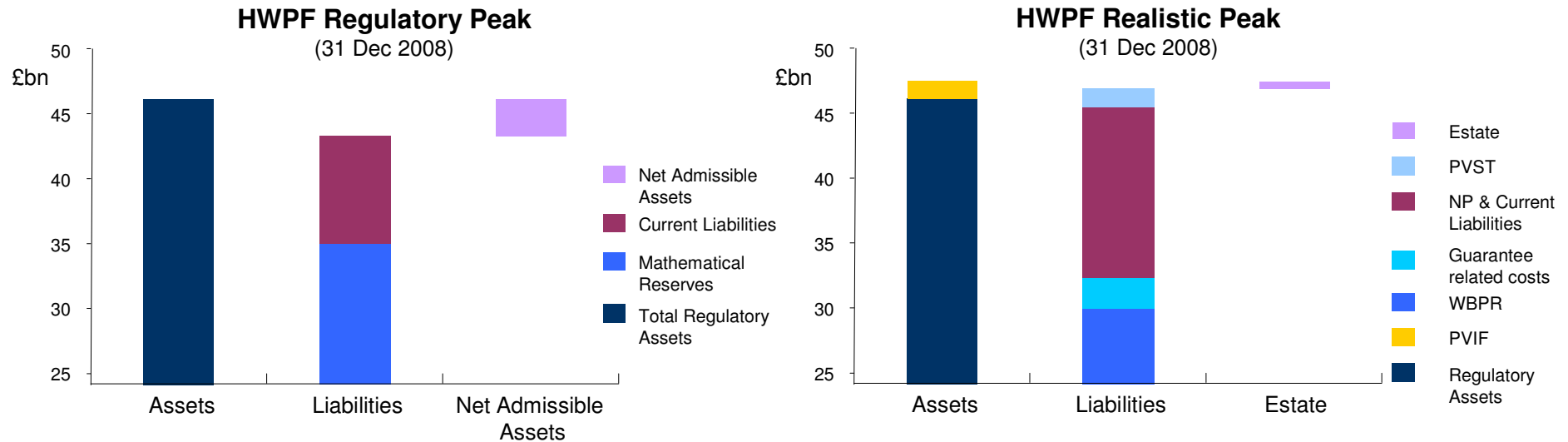
Realistic Peak (‘Peak 2’)



Best estimate reserves for all expected liabilities plus the market value of all guarantees

Note: Graphs are for illustrative purposes only and do not represent the capital position of Standard Life

Heritage With Profits Fund (HWPF)



Regulatory Peak Position

The regulatory peak solvency position of the HWPF is reflected by its Net Admissible Assets position (Total Regulatory Assets – Total Regulatory Liabilities) of £3.0bn.

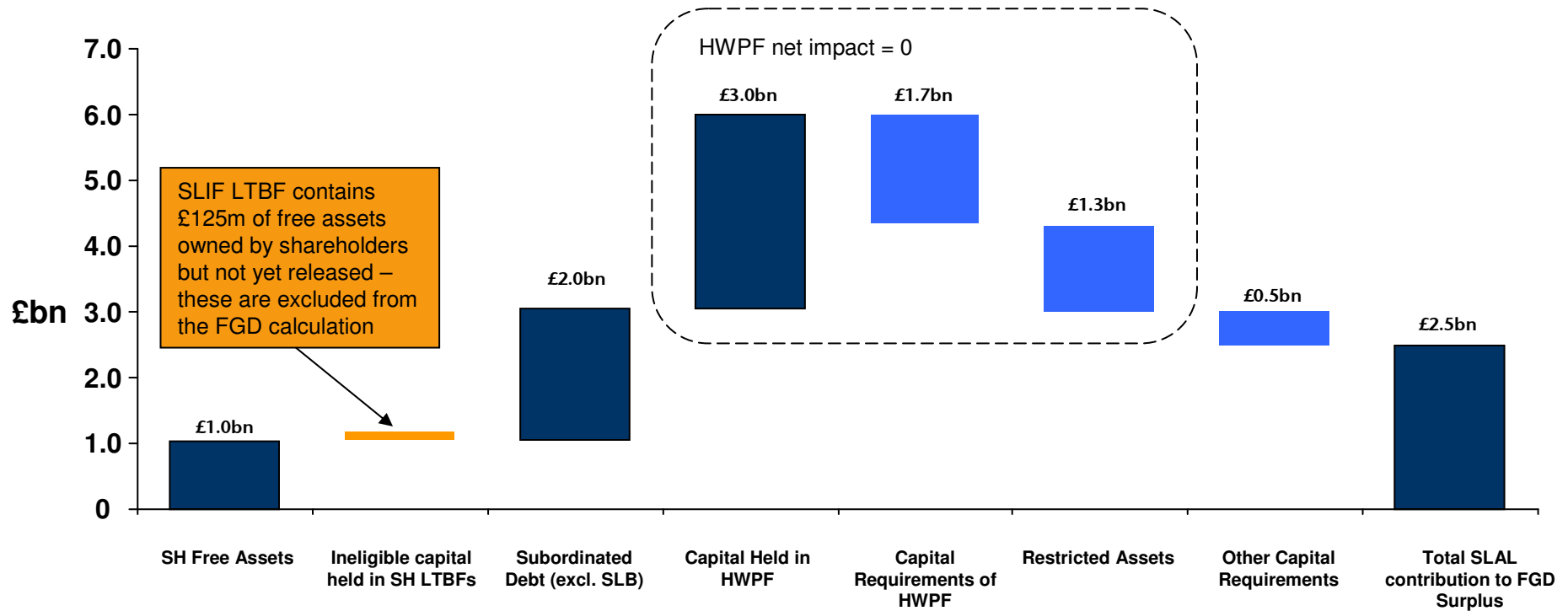
Realistic Peak Position

The realistic peak solvency position of the HWPF is reflected by the Estate and the value of the solvency buffer provided by the Capital Support Mechanism (CSM).

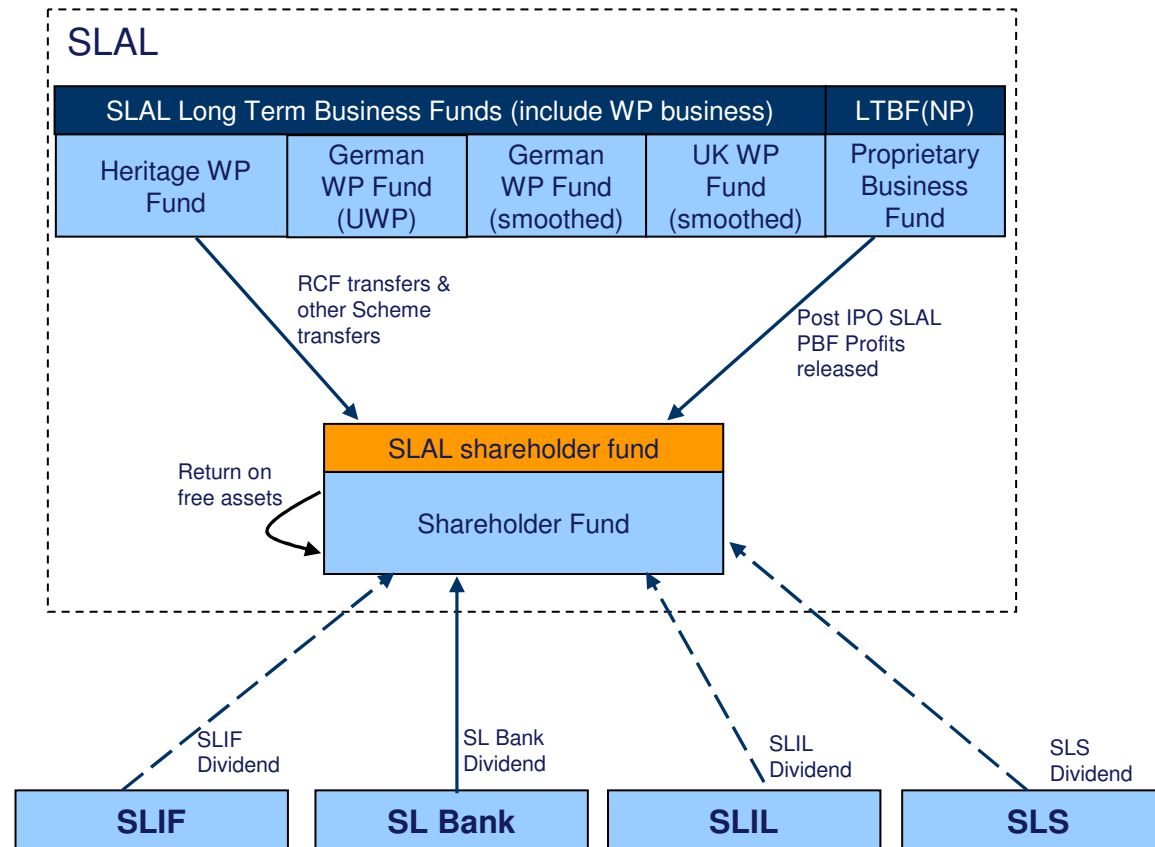
Under the IPO scheme the Estate is to be distributed over time to the policyholders. This intention is reflected in the FSA returns by setting the Working Capital to zero.

The HWPF maintains a strong regulatory surplus

FGD Surplus – SLAL Contribution

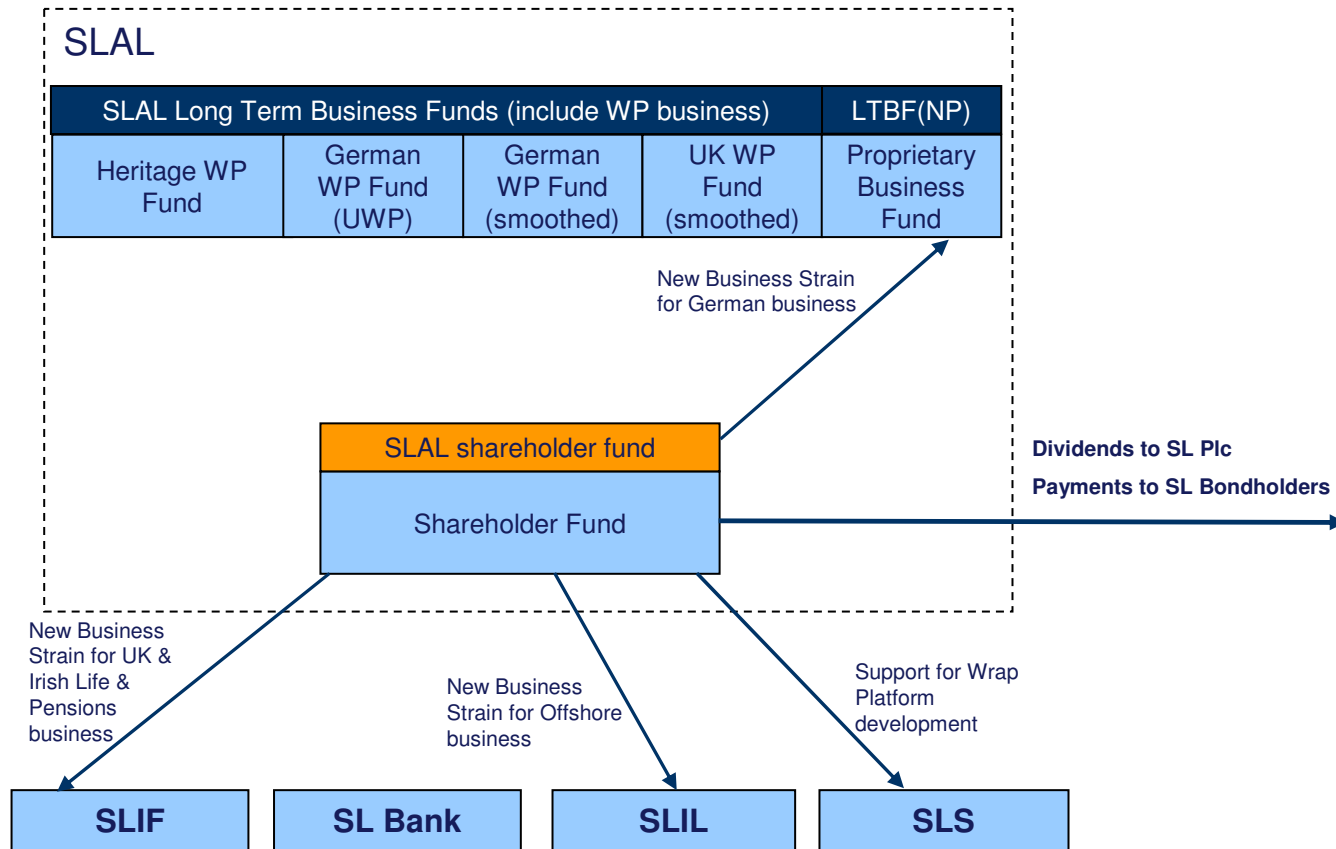


SLAL Shareholder Cash Inflows (2008)



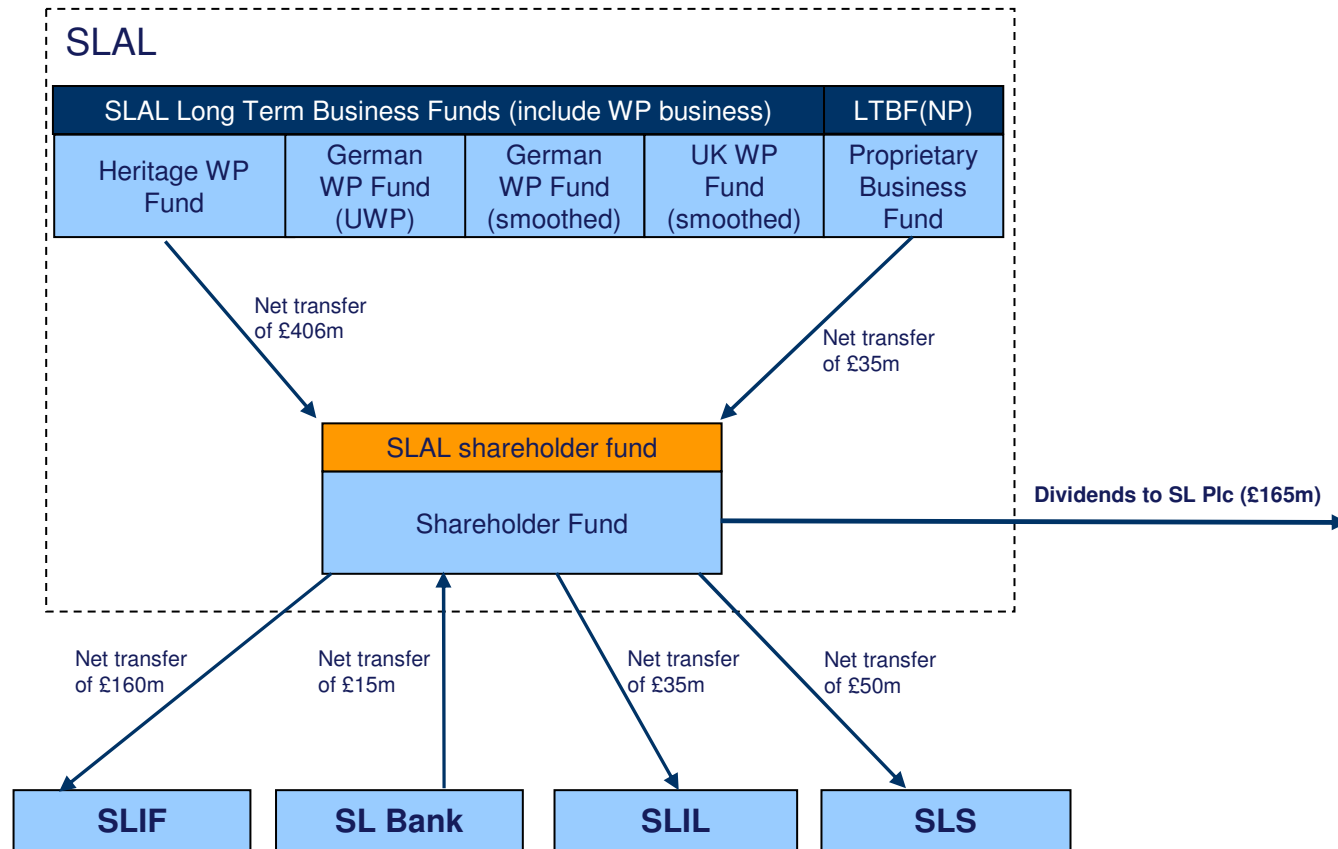
A focus on cash generation

SLAL Shareholder Cash Outflows (2008)



Investing to drive tomorrow's growth

SLAL Shareholder Net Cashflows (2008)

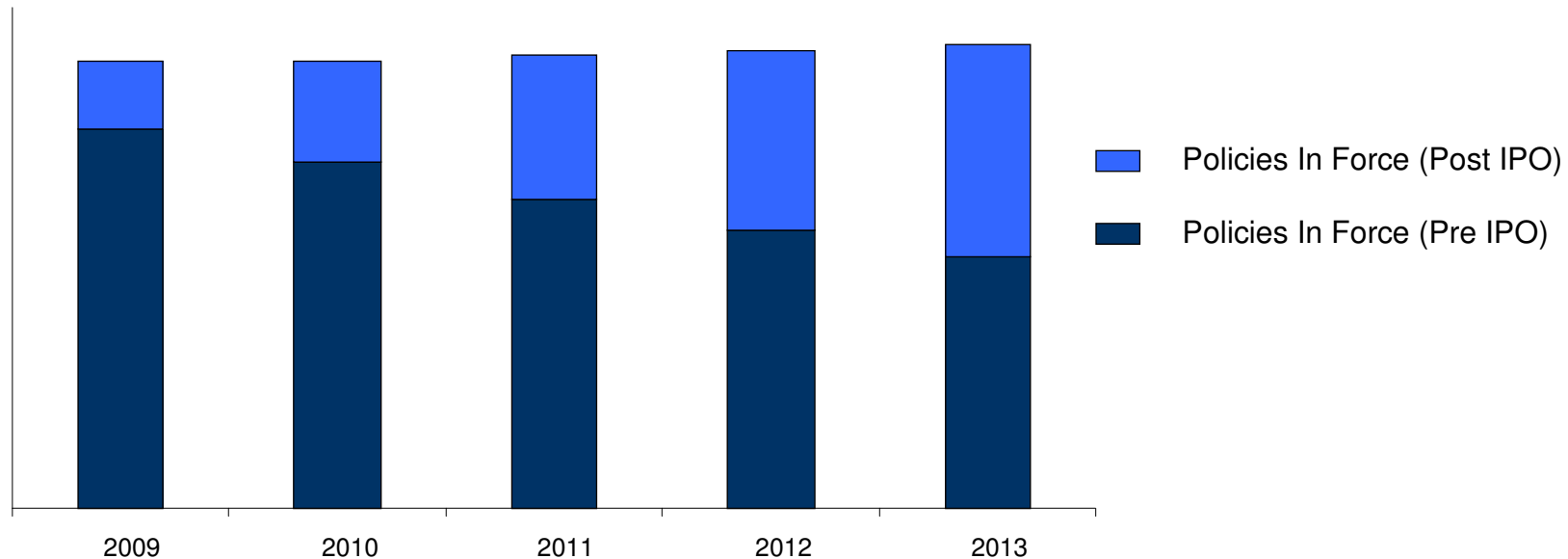


Investing to drive tomorrow's growth

SLAL – Illustrative policy count



Policy Count Projections



- The graph shows a projection of SLAL’s total policy count from a recent business plan
- The pre-IPO count includes the conventional with profits business that does not contribute to shareholder transfers
- The post-IPO count includes covered business (included in FSA returns) and non-covered business (not included in FSA returns)

Increasing proportion of policies contributing to shareholder returns

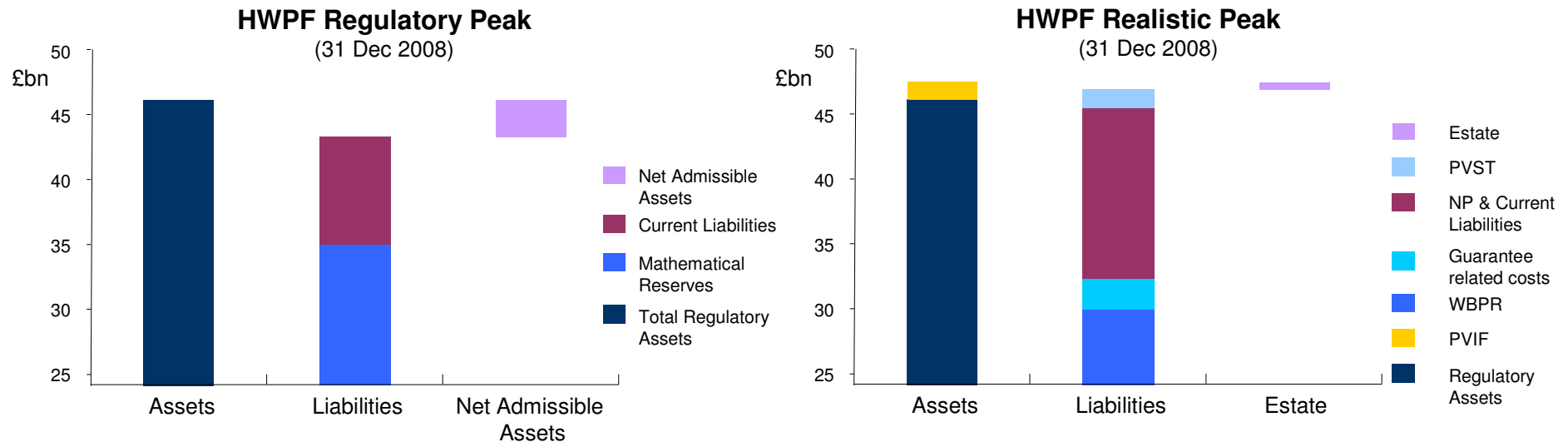
HWPF Recourse Cash Flow (RCF)



- RCF is:
 - Charges less expenses on unit linked and unitised with profit business (reserves of £48.5bn)
 - Excess of income over outgoings and change in reserves on non profit blocks (reserves of £1.2bn)
 - UK & Ireland
- Only excluded lines of business are:
 - Conventional with profits (reserves of £8.4bn)
 - Immediate annuities – longevity margin arises in SLIF (reserves of £1.5bn net of reinsurance to Canada Life)
- Surplus emerging on pre-demutualisation German business is transferred to shareholders through a profit margin on the expense recharge (reserves of £3.4bn)
- The RCF is determined after the year end and transferred to the SLAL Shareholder Fund subject only to the solvency of the HWPF

Note: Reserves as at 31 December 2008

Heritage With Profits Fund (HWPF)



Regulatory Peak Position

The regulatory peak solvency position of the HWPF is reflected by its Net Admissible Assets position (Total Regulatory Assets – Total Regulatory Liabilities) of £3.0bn.

Realistic Peak Position

The realistic peak solvency position of the HWPF is reflected by the Estate and the value of the solvency buffer provided by the Capital Support Mechanism (CSM).

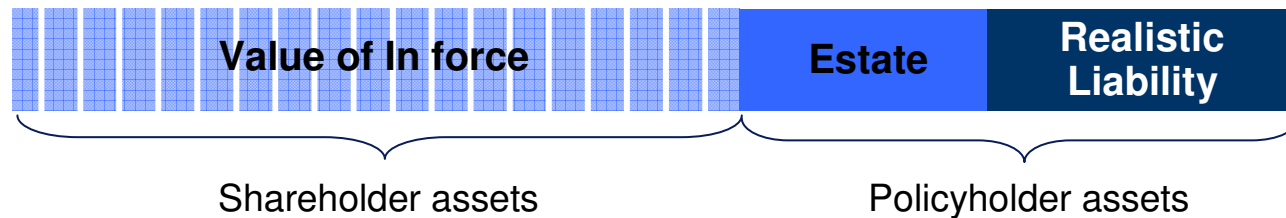
Under the IPO scheme the Estate is to be distributed over time to the policyholders. This intention is reflected in the FSA returns by setting the Working Capital to zero.

The HWPF maintains a strong regulatory surplus

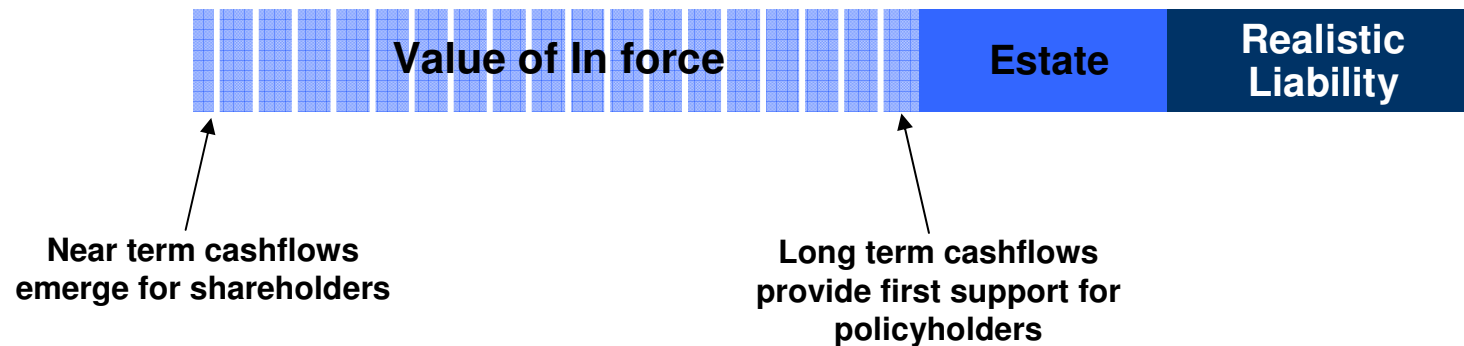
Operation of CSM (1)



The operation of the capital support mechanism can be represented as follows:



We expect cashflows to emerge each year and become available for transfer

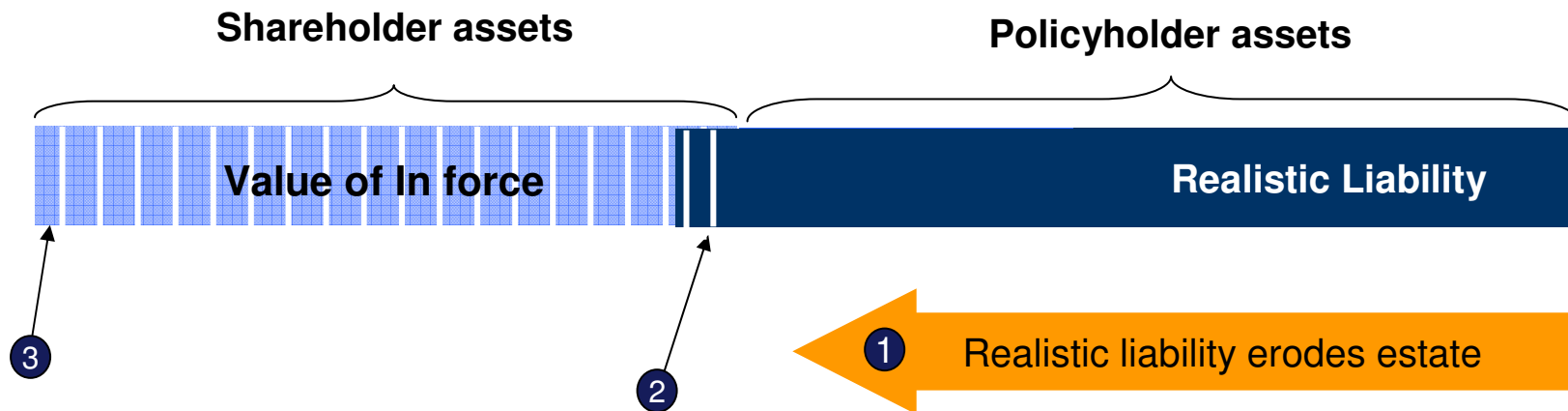


A unique arrangement beneficial to shareholders and policyholders

Operation of CSM (2)



- 1. If experience of the With Profits Fund is poor, the realistic liability may increase and erode the residual estate
- 2. The With Profits Fund may have to rely on some of the PVIF (via the CSM); it is the furthest out PVIF cashflows that are restricted first
- 3. We would expect to receive near term cashflows except in severely adverse circumstances

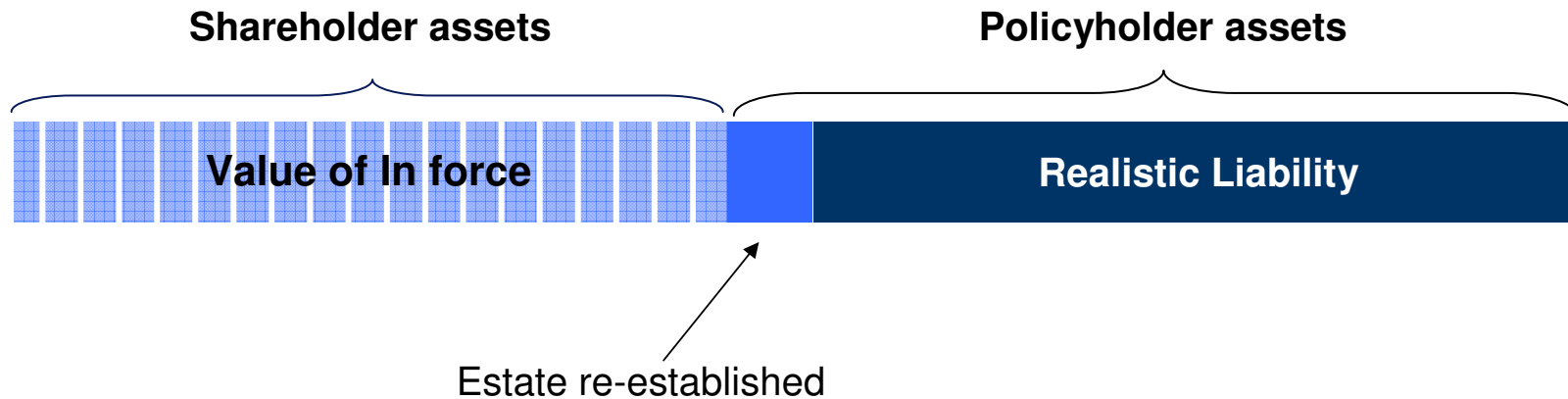


A unique arrangement beneficial to shareholders and policyholders

Operation of CSM (3)



If experience improves estate is re-established and PVIF is released back to shareholders



“Burn through” places a value on the likelihood of some or all of the PVIF being permanently lost to shareholders

A unique arrangement beneficial to shareholders and policyholders


HWPF “Hedging”



Various mechanisms are in place to limit the market risk in the HWPF:

- An equity hedge is in place to cover downside equity exposure arising from our UK High Guarantee business
- A dynamic guarantee deduction framework exists in the HWPF that offsets increases in Cost of Guarantees. Deductions caps exist to ensure fairness for policyholders – once these are reached the effectiveness of the framework reduces. Deduction levels are not currently at their cap levels.
- The Estate provides an additional cushion before any restrictions to shareholder value in the HWPF are made

These provide a number of layers of protection for the solvency of the balance sheet as conditions worsen and guarantee costs increase:

Increasing cost of guarantees: 

Additional costs met by:

Hedge Assets	Increased guarantee charges	With Profits Estate	Restrict shareholder transfers
---------------------	------------------------------------	----------------------------	---------------------------------------

Policyholder/Shareholder impact:

No impact

Reduces policyholders' asset shares

Reduces future Estate distribution to policyholders

Reduces shareholder VIF

- Normal WP management techniques are also reviewed regularly – WP Bonus setting, Equity Backing Ratios for the business etc.
- Assets backing our annuity business are duration matched to the liabilities (reducing fixed interest risk on the portfolio)

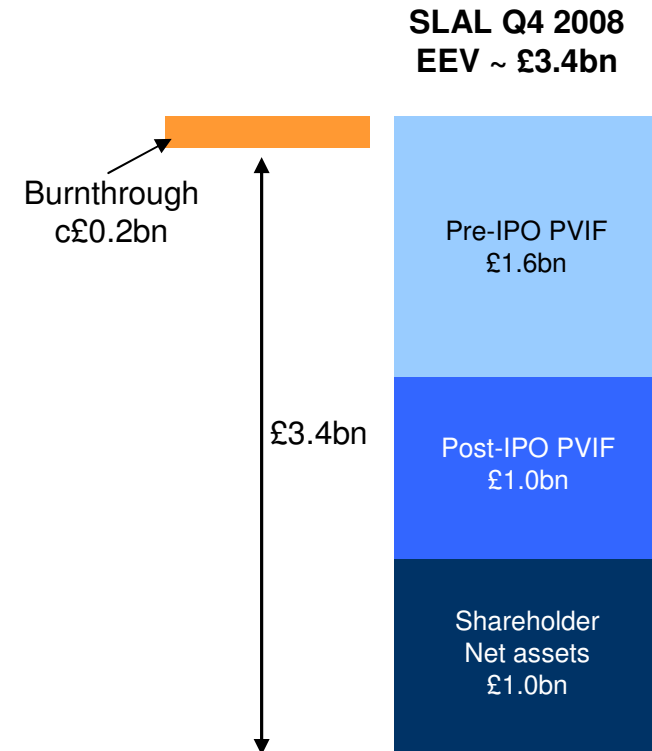
Several risk mitigation strategies to limit market risk

HWPF Time Value of Options and Guarantees (TVOG)



- The TVOG (“Burnthrough”) measures the risk to the transfers from the HWPF to shareholders fully reflecting the current size of the Estate and the risk of potential future shortfalls
- TVOG of £220m at end of 2008 fully reflects market conditions at that date
- Increase in Burnthrough since 2007 due to significant deterioration in market conditions

Market Conditions	31/12/2007	31/12/2008		
FTSE 100 Index	6,457	4,434	↓	31%
IPD Total Return Property Index	852.6	660.5	↓	20%
10 year Gilt Yields (UK)	4.6%	3.4%	↓	1.2%
Credit Spreads (AA)	155bps	375bps	↑	220bps
Equity Volatility (5yr)	21.5%	32.75%	↑	11%



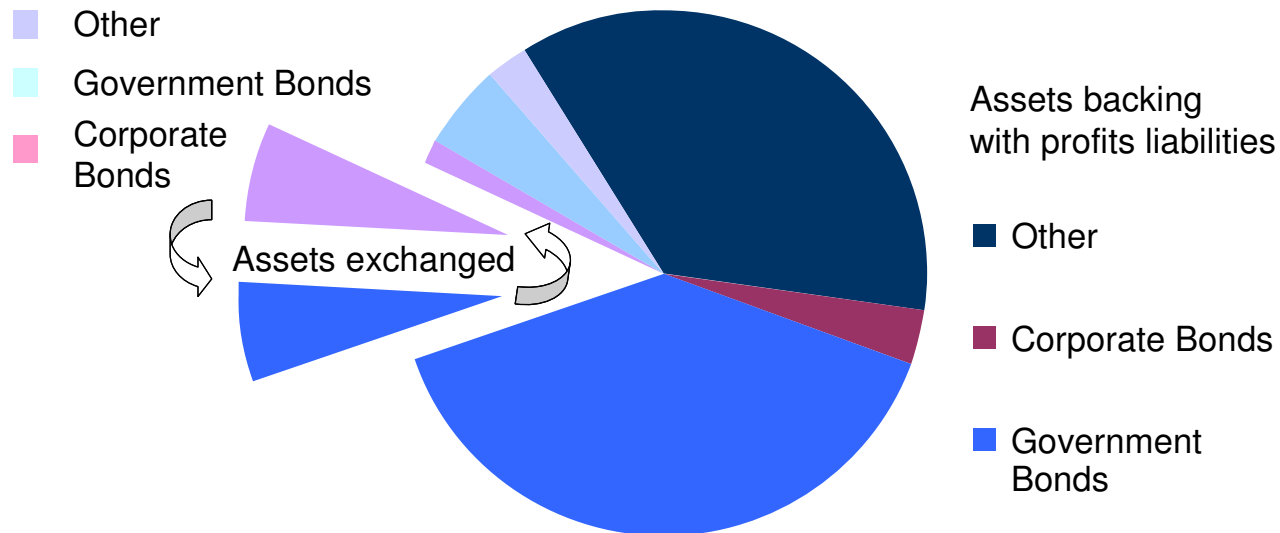
Embedded value increased in 2008 in spite of increasing allowance for TVOG

HWPF Estate – Corporate Bond Transfer



Assets backing
non profit annuities

**Heritage With Profits Fund
internal asset exchange**



- Overall the assets in the HWPF were unchanged by the exchange
- Assets were just reallocated between annuity policies and WP policies
- The fall in the HWPF Estate caused by the exchange was largely due to the different treatment of annuity and WP business in the reporting regulations

Estate no longer recognises the value of the illiquidity premium

What we have covered



- **Overview of SLAL's Composition**
 - Assets
 - Shareholder Value
 - Liabilities
- **Financial Strength**
 - SLAL Pillar 1 Solvency (and 'twin peaks' position)
 - SLAL Contribution to plc FGD position
- **SLAL Cash**
 - Where it comes from
 - How it is used
- **Recourse Cash Flow (RCF) & Capital Support Mechanism (CSM)**
- **Heritage With Profit Fund (HWPF)**
 - Estate
 - Hedging
 - Burnthrough

- The Group has a unique capital structure
- We have hedging strategies in place that operate effectively
- We have maintained a strong FGD surplus
- We are delivering a capital-lite and cash generative strategy

Delivering value from an asset managing strategy

Appendix

Glossary (1)



Capital Resources (CR): This is the Pillar 1 *regulatory basis* assessment of the amount of capital. It is broadly composed of the excess of assets over liabilities in SLAL's *long term business funds, shareholder fund capital and subordinated debt*. A company must have sufficient Capital Resources to cover its *Capital Resources Requirement*. If the Capital Resources fall to a level that is too close to the Capital Resources Requirement intervention from the FSA can be expected.

Capital Resources Requirement (CRR): A company must hold *Capital Resources* in excess of the Capital Resources Requirement. The Capital Resources Requirement is composed of the *LTICR* (solvency margins), *RCR* (additional capital required to withstand a prescribed stress scenario), *ICRR of regulated subsidiaries* (capital requirements of subsidiaries) and *WPICC* (the means by which the valuation result is affected by the more onerous of the *realistic peak* and *regulatory peak* valuation results). Note that no RCR is required for SLAL.

Cost of Guarantees (COG): This is a Realistic Balance Sheet liability. It is the expected cost to the *Heritage With Profits Fund* of paying for guarantees made to with-profits policyholders such as guaranteed minimum level of bonus. A guarantee only has a cost if the guaranteed amount is greater than the payout (which is generally based on *asset share*) would otherwise have been.

CRR Cover: This is calculated as CR / CRR and is used as a measure of the excess capital that a company has. A company will often have a range of CRR Cover within which it is happy to operate. If the CRR Cover exceeds this it might be seen as a reason to take on additional risks, while if it falls below the range it might be seen as a reason to take management actions to reduce capital requirements (such as reducing *equity backing ratios* for with-profits business). Note that an addition of £x to both the *CR* and the *CRR* will not change the *Excess Capital Resources* but will change the CRR cover.

Excess Capital Resources: This is the excess of *Capital Resources* over the *Capital Resources Requirement*. As with *CRR Cover*, a company may have a range within which it is comfortable operating and movement out of this range may prompt actions to be taken.

Glossary (2)



Fund for Future Appropriations (FFA): This is part of the *Capital Resources* calculation.

Hedge assets: These are assets that partially hedge the *cost of guarantees*. When markets fall it causes the policyholders' *asset shares* to fall, but the guaranteed payout amounts remain the same. This means that the *cost of guarantees* will increase when equity markets fall. The hedge assets are a bespoke portfolio of assets (including derivatives) that will increase in value when equity markets fall, which reduces the impact on the HWPF of equity market falls. The hedge covers part of the cost of guarantees so does not entirely remove the impact of equity market falls or other adverse market movements (eg property values, corporate bond spreads, fixed interest yields, volatilities).

HWPF: The Heritage With Profits Fund in SLAL. This fund contains most of the business written by SLAC before demutualisation. This fund has to be valued on the twin peaks basis, ie on the *realistic basis* and the *regulatory basis*. This is in contrast to funds (such as the *Proprietary Business Fund*) that do not contain any with-profits business and are valued only on the *regulatory basis*.

ICRR of regulated subs: Individual Capital Resources Requirement of subsidiaries. Note that the excess capital resources calculation requires both the total capital resources and total capital resources requirement of SLAL to be calculated. However, the admissible assets of SLAL's LTBFs, which contribute to the capital resources, contain values for the subsidiaries in the SLAL LTBFs (SLAC 2006 and SLPF) that are net of their ICRR. To calculate SLAL's total capital resources these must be added back in to the value of admissible assets. The total capital resources requirement includes the ICRR for all of SLAL's subsidiaries (i.e. those in the LTBFs and those in the shareholder fund).

Long Term Business Fund (LTBF): A fund (and also a legal entity) in which insurance business is written. This is distinct from a shareholder fund which holds no policyholder liabilities.

LTICR: Long Term Insurance Capital Requirement. Broadly a percentage of reserves for certain business plus a percentage of sums at risk for mortality insurance products.

Glossary (3)



Pillar 1: One of the pillars of capital of the FSA's solvency regime. The pillar 1 excess capital is the excess capital as determined in the statutory valuation result.

Pillar 2: One of the pillars of capital of the FSA's solvency regime. The pillar 2 excess capital is the capital held in excess of the company's Individual Capital Assessment.

PVIF: Present Value of In Force business. The future profits (usually excess of charges over expenses) on existing business. This is recognised as an asset in the 'realistic basis' valuation. Note that because the realistic basis is used only for with-profits funds, there are additional PVIF on Non Profit funds that cannot be counted towards the excess capital resources. Similarly future profits on subsidiaries are not included in the balance sheet.

PVST: Present Value of future Shareholder Transfers. A balance sheet liability to transfer the profits arising from the PVIF of some business to shareholders when it has arisen. The products this relates to was specified in the scheme of demutualisation. It is largely Unitised With Profits and Unit Linked business (so excludes annuities and Conventional With Profits business).

RCM: Risk Capital Margin. The additional capital required to withstand a specified market stress. This is currently zero for SLAL because the additional capital requirement can be met firstly by reducing planned enhancements, and then restricting future shareholder transfers.

RCR: Resilience Capital Requirement. A capital requirement to cover market risk set equal to the size of any additional reserve that would result from the impact of a specified market stress. No longer required by SLAL from 31 December 2006 because of changes to the regulations.

Realistic peak valuation: A valuation of with-profits business using the FSA's 'realistic basis'. Key differences from the regulatory peak include; explicitly including terminal bonus in WP liabilities, explicitly including guarantees and other payments in excess of asset share that are expected to occur as liabilities, reflecting PVIF and PVST.

Glossary (4)



Regulatory peak valuation: A valuation of any type of business using the FSA's 'regulatory basis'. This basis aims to ensure that enough capital is held through the use of prudent margins – however for with-profits business it does not require discretionary benefits such as terminal bonus to be reserved for.

Shareholder fund capital: For the SLAL valuation this refers to the capital in the shareholder fund of SLAL and does not include capital held at group level by SL plc.

Subordinated debt: Low ranking debt issued by the company. Payment of coupons is contingent on them being affordable to the company. The rules of the regulatory basis valuation allow a value of zero to be placed on the liability because it is contingent on affordability. This allows a company's regulatory balance sheet to benefit from the assets received from the debtholders without there being any corresponding liability. The realistic basis valuation does not allow this and requires a realistic value to be placed on the liability, which will be broadly similar to the value of assets received.

Working Capital: The excess of assets available to the fund over realistic liabilities, commonly referred to as "the Estate".

WPICC: With-Profits Insurance Capital Component. This is the means by which the valuation result is driven by the more onerous of the realistic and regulatory peaks. For SLAL it is equal to the Regulatory Surplus less the PVST under stressed conditions.

Speaker biographies



Jackie Hunt, Deputy Group Finance Director

Jackie joined Standard Life on 6 January 2009 as Deputy Group Finance Director, where she is responsible for a number of areas including external financial reporting, performance management and the finance shared services operation. Prior to joining Standard Life, Jackie was Chief Finance Officer and board member of Norwich Union Insurance, Aviva's non-life operation in the UK. She was Group Finance Director of the Hibernian Group, Aviva's market leading life and general insurance businesses in Ireland before joining Norwich Union Insurance.

Jackie has extensive international experience in the financial services industry. She joined Aviva in 2003 from Royal & SunAlliance where, as Deputy Director Capital Management, she was involved in listing the group on the New York Stock exchange, disposing of their asset management and UK life operations and performing a strategic review leading to a significant reshaping of the business. Prior to this she spent four years at PricewaterhouseCoopers in a number of roles.



David Hare, Chief Actuary UK & Europe

David became Chief Actuary, UK & Europe for Standard Life's European insurance operations in January 2007. He has over 20 years of experience in the insurance industry, starting his career with Scottish Mutual and then Abbey National. He joined Standard Life in 1997 in a Group Finance role involving, amongst other things, the financial management of Standard Life's with profits fund.

Amongst his current professional commitments are Honorary Secretary of the Faculty of Actuaries and Chair of the Life Practice Area Executive Committee. He is also the Faculty representative on the Insurance Committee of the Groupe Consultatif Actuariel Européen, with a particular remit to represent the UK Actuarial Profession on life insurance issues.

He has authored a number of publications, including "A market-based approach to pricing with-profits guarantees" and "The realistic reporting of with-profits business". He is a member of the ABI Chief Actuaries Group. Prior to that, he was a member of various industry committees and Solvency II working parties, including those of the ABI, FSA and HMT in the UK.